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Annual Securities Report

(Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan)

(The 44th Fiscal Year)

From November 1, 2023 to October 31, 2024

H.I.S. Co., Ltd.

4-1-1 Toranomon, Minato-ku, Tokyo

(E04358)

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated financial data

Fiscal year		40th	41st	42nd	43rd	44th
Year end		October 2020	October 2021	October 2022	October 2023	October 2024
Net sales	(millions of yen)	430,283	118,564	142,732	252,205	343,334
Ordinary profit (loss)	(millions of yen)	(30,994)	(63,557)	(49,050)	1,646	10,451
Profit (loss) attributable to owners of parent	(millions of yen)	(27,008)	(54,356)	(11,500)	(2,628)	8,717
Comprehensive income	(millions of yen)	(35,850)	(52,643)	(4,333)	(134)	12,062
Net assets	(millions of yen)	96,144	57,656	48,238	49,741	62,343
Total assets	(millions of yen)	414,155	411,148	414,790	440,962	412,200
Net assets per share	(yen)	1,142.63	491.01	529.94	543.16	695.47
Earnings (loss) per share	(yen)	(466.71)	(814.38)	(156.60)	(35.49)	116.67
Diluted earnings per share	(yen)	—	—	—	—	109.79
Shareholders’ equity ratio	(%)	17.3	8.4	9.4	9.2	12.6
Return on equity	(%)	—	—	—	—	18.8
Price-earnings ratio	(times)	—	—	—	—	15.0
Cash flows from operating activities	(millions of yen)	(57,768)	(28,397)	(14,966)	30,934	29,247
Cash flows from investing activities	(millions of yen)	(47,851)	(7,095)	53,572	(46,252)	45,606
Cash flows from financing activities	(millions of yen)	(5,602)	40,711	5,458	(11,785)	(55,158)
Cash and cash equivalents at end of period	(millions of yen)	80,445	88,079	136,939	110,836	132,217
Number of employees [Average number of temporary employees not included in the above]	(persons)	13,990 [2,333]	10,618 [1,832]	9,389 [1,460]	10,131 [1,685]	10,664 [1,708]

(Notes) 1. The Company had introduced the E-Ship® trust-type employee stock ownership incentive plan, but discontinued it in May 2021. In the consolidated financial statements for the 41st fiscal year and prior fiscal years, the Company recorded the shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust (the “Trust”) as treasury shares. Accordingly, in calculating the amount of net assets per share, the “number of common stock held as treasury shares at fiscal year-end” is calculated by including the shares held by the Trust. In calculating earnings (loss) per share and diluted earnings per share, the “average number of outstanding shares of common stock during the period” is calculated by including shares held by the Trust in the treasury shares.

2. Although there were dilutive shares in the 40th, 41st, 42nd, and 43rd fiscal years, diluted earnings per share are not presented due to the recording of a loss per share.

3. In the 40th, 41st, 42nd, and 43rd fiscal years, return on equity and price-earnings ratio are not presented due to the recording of a loss attributable to owners of parent.

4. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan), etc. has been applied from the beginning of the 42nd fiscal year, and the figures for the 42nd, 43rd, and 44th fiscal years reflect the application of the new accounting standard, etc.

(2) Non-consolidated financial data

Fiscal year		40th	41st	42nd	43rd	44th
Year end		October 2020	October 2021	October 2022	October 2023	October 2024
Net sales	(millions of yen)	159,261	26,694	39,967	132,882	176,544
Ordinary profit (loss)	(millions of yen)	(10,912)	(20,439)	(17,912)	(286)	2,304
Profit (loss)	(millions of yen)	(7,715)	(33,724)	26,216	(431)	5,461
Share capital	(millions of yen)	15,000	21,048	100	100	100
Shares issued and outstanding	(shares)	68,768,936	75,969,236	79,860,936	79,860,936	79,860,936
Net assets	(millions of yen)	23,074	2,127	35,704	36,154	41,741
Total assets	(millions of yen)	255,671	262,462	300,714	319,920	280,680
Net assets per share	(yen)	364.71	28.11	477.40	481.70	554.83
Total dividends per share (interim dividend amount)	(yen)	— (—)	— (—)	— (—)	— (—)	— (—)
Earnings (loss) per share	(yen)	(133.33)	(505.27)	356.99	(5.83)	73.09
Diluted earnings per share	(yen)	—	—	334.39	—	68.73
Shareholders' equity ratio	(%)	9.0	0.8	11.7	11.2	14.8
Return on equity	(%)	—	—	140.7	—	14.1
Price-earnings ratio	(times)	—	—	5.8	—	24.0
Dividend payout ratio	(%)	—	—	—	—	—
Number of employees [Average number of temporary employees not included in the above]	(persons)	5,896 [708]	4,078 [578]	3,822 [567]	3,984 [532]	4,141 [558]
Total shareholder return (Benchmark: TOPIX incl. dividends)	(%) (%)	49.8 (97.1)	90.9 (125.6)	73.1 (124.3)	60.3 (148.9)	62.2 (182.3)
Highest share price	(yen)	3,225	3,030	2,724	2,230	2,019
Lowest share price	(yen)	1,096	1,412	1,665	1,617	1,503

(Notes) 1. The Company had introduced the E-Ship® trust-type employee stock ownership incentive plan, but discontinued it in May 2021. In the non-consolidated financial statements for the 41st fiscal year and prior fiscal years, the Company recorded the shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust (the "Trust") as treasury shares. Accordingly, in calculating the amount of net assets per share, the "number of common stock held as treasury shares at fiscal year-end" is calculated by including the shares held by the Trust. In calculating earnings (loss) per share and diluted earnings per share, the "average number of outstanding shares of common stock during the period" is calculated by including shares held by the Trust in the treasury shares.

2. Although there were dilutive shares in the 40th, 41st, and 43rd fiscal years, diluted earnings per share are not presented due to the recording of a loss per share.
3. In the 40th, 41st, and 43rd fiscal years, return on equity, price-earnings ratio, and dividend payout ratio are not presented due to the recording of a net loss.
4. The dividend payout ratios for the 42nd and 44th fiscal years are not presented as the Company did not pay a dividend.
5. The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange until April 3, 2022, and those on the Prime Market of the Tokyo Stock Exchange from April 4, 2022 onward.
6. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan), etc. has been applied from the beginning of the 42nd fiscal year, and the figures for the 42nd, 43rd, and 44th fiscal years reflect the application of the new accounting standard, etc.

2. Corporate History

Month/Year	Events
December 1980	Established International Tours Co., Ltd. (capital: 10 million yen) at 1-4-6 Nishishinjuku, Shinjuku-ku, Tokyo
April 1981	Obtained Retail Agency License (No. 3034) from Ministry of Transportation
May 1985	Established HIS (HONG KONG) COMPANY LIMITED Opened Hong Kong branch as first overseas location
June 1986	Obtained General Travel Agency License (No. 724) from Ministry of Transportation
April 1990	Changed Company name to H.I.S. Co., Ltd.
August 1990	Established Passaporte Co., Ltd. (currently QUALITA Co., Ltd.)
September 1990	Established NUMBER ONE TRAVEL SHIBUYA Co., Ltd.
December 1990	Received approval as a certified International Air Transport Association (IATA) agent
May 1993	Opened Shinjuku Headquarters Branch (currently Travel Wonderland Shinjuku) as a flagship store at 5-33-8 Sendagaya, Shibuya-ku, Tokyo
March 1995	Shares registered with Japan Securities Dealers Association for over-the-counter sales
September 1995	Established THE WATERMARK HOTEL GROUP PTY LTD
November 1996	Established Skymark Airlines Inc. (currently outside the Group)
March 2000	Made H.I.S. Kyoritsu Securities Co., Ltd. (currently HS Holdings Co., Ltd.) a subsidiary (currently outside the Group)
April 2000	Moved headquarters to 1-12-1 Dogenzaka, Shibuya-ku, Tokyo
May 2000	Made Towa Travel Service (currently Orion Tour Co., Ltd.) a subsidiary
November 2002	Made Cruise Planet Co., Ltd. a subsidiary
December 2002	Listed shares on the Second Section of the Tokyo Stock Exchange
April 2004	Moved headquarters to 6-8-1 Nishishinjuku, Shinjuku-ku, Tokyo
October 2004	Listed shares on the First Section of the Tokyo Stock Exchange
October 2005	Acquired equity stake in Kyushu Industrial Transportation Co., Ltd. (currently KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.)
December 2008	Opened the Company’s first hotel in Japan, Watermark Hotel Sapporo (currently outside the Group)
January 2009	Made Ohshu Express Ltd. a subsidiary
April 2010	Made Huis Ten Bosch Co., Ltd. a subsidiary (currently outside the Group)
July 2011	Opened Watermark Hotel Nagasaki Huis Ten Bosch (currently outside the Group)
April 2012	Made GUAM REEF HOTEL, INC. a subsidiary
July 2012	Made KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. a subsidiary
December 2012	Established ASIA ATLANTIC AIRLINES CO., LTD. (currently outside the Group)
May 2014	Established Laguna Ten Bosch Co., Ltd.
May 2015	Opened Watermark Hotel & Spa Bali, Jimbaran on Bali Island, Indonesia
July 2015	Opened Henn na Hotel Huis Ten Bosch (currently outside the Group)
September 2016	Made 0763658 B.C. LTD. and THE CANADIAN COLLEGE OF ENGLISH LANGUAGE LTD. (commonly known as Canadian College & CCEL) subsidiaries
November 2016	Established H.I.S. Hotel Holdings Co., Ltd.
December 2016	Made Merit Holdings Inc. a subsidiary Made H.S. Insurance Co., Ltd. a subsidiary
March 2017	Established H.I.S. SUPER Power Co., Ltd. (currently outside the Group) Opened Henn na Hotel Maihama Tokyo Bay
May 2017	Established H.I.S. Okinawa Co., Ltd. Made GROUP MIKI HOLDINGS LIMITED a subsidiary Made Green World Hotels Co., Ltd. a subsidiary
August 2017	Opened Henn na Hotel Laguna Ten Bosch
November 2017	Made JONVIEW CANADA INC. a subsidiary (merged into H.I.S. CANADA TRAVEL INC.)
December 2017	Opened Henn na Hotel Tokyo Nishikasai
January 2018	Opened Henn na Hotel Tokyo Ginza
April 2018	Opened Henn na Hotel Tokyo Hamamatsucho
July 2018	Opened Henn na Hotel Tokyo Asakusabashi Opened Henn na Hotel Tokyo Akasaka
October 2018	Opened Henn na Hotel Tokyo Haneda
January 2019	Opened Henn na Hotel Fukuoka Hakata Opened Henn na Hotel Osaka Shinsaibashi
March 2019	Opened Henn na Hotel Osaka Namba Made RED LABEL VACATIONS INC. a subsidiary (currently H.I.S. CANADA TRAVEL INC.)

Month/Year	Events
April 2019	Opened Henn na Hotel Kyoto Hachijoguchi-ekimae
September 2019	Opened Henn na Hotel Tokyo Asakusa Tawaramachi
	Opened large-scale commercial facility SAKURA MACHI Kumamoto in Sakuramachi, Kumamoto
October 2019	Opened Henn na Hotel Kansai Airport
December 2019	Opened Henn na Hotel Kanazawa Korinbo
June 2020	Moved headquarters to 4-1-1 Toranomon, Minato-ku, Tokyo
August 2020	Established H.I.S. Real Estate Co., Ltd.
October 2020	Opened Watermark Hotel Kyoto
	Opened Henn na Hotel Nara
December 2020	Opened Henn na Hotel Komatsu-ekimae
March 2021	Succeeded operations of Resort Hotel Kume Island
June 2021	Established Green Ocean Co., Ltd. to operate a staffing business
July 2021	Opened Hotel VISON and Hatago VISON
	Opened Mantenno Tsujinoya, the first Japanese inn of the Japanese inn regeneration project
August 2021	Opened Henn na Hotel Seoul Myeongdong
September 2021	Opened Henn na Hotel Sendai Kokubuncho
October 2021	Opened Henn na Hotel New York
March 2022	Opened Hotel Inspira-S Tashkent
April 2022	As a result of the market reclassification of the Tokyo Stock Exchange, shares were transferred from the First Section to the Prime Market
May 2022	Transferred all shares of HTB ENERGY CO., LTD. to HBD, Inc.
August 2022	Opened Watermark Hotel & Resorts Okinawa Miyakojima
September 2022	Transferred all shares of Huis Ten Bosch Co., Ltd. to PAG HTB Holdings Co., Ltd.
October 2022	Opened glamping facility GLAMHIDE WITH DOG KOMATSU
	Transferred all shares of H.I.S. SUPER Power Co., Ltd. to Kyushu Ohisama Power Generation Co., Ltd.
December 2022	Established HIS Group Purpose
	Opened Henn na Hotel Kagoshima Tenmonkan
	Opened Henn na Hotel Nagoya Fushimi-ekimae
March 2023	Made SCI Stenberg College International Inc. a subsidiary
July 2023	Made Kokurensha Inc. (currently HIS Design and Plus Co., Ltd.) a subsidiary
February 2024	Launched a new business format in the food and beverage business with the opening of Seafood Buffet Iroha
June 2024	Relocated and renovated the flagship store Travel Wonderland Shinjuku
August 2024	Cross E Holdings Co., Ltd. was listed on the Fukuoka Stock Exchange Q-Board
	Acquired shares of Develop Co., Ltd. (making it an equity-method associate)

3. Description of Business

The HIS Group (H.I.S. Co., Ltd. and associated companies; hereinafter, the “HIS Group” or the “Group”) comprises H.I.S. Co., Ltd. (hereinafter, the “Company”), 164 subsidiaries, and 12 associates. The main businesses operated by the Group and the positioning of the Company and associated companies in these businesses are shown below.

The four business groupings of Travel business, Hotel business, Kyushu Sanko Group, and Other outlined below are consistent with the reportable segments stated in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information, Part I Information on the Company.”

Effective from the consolidated fiscal year ended October 31, 2024, the Group has reclassified its reportable segments. For details, please refer to “Segment information, etc.” in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information, Part I Information on the Company.”

(1) Travel business

The HIS Group engages in the Travel business (both domestic and overseas) and other ancillary businesses.

[Associated companies]

HAWAII HIS CORPORATION
H.I.S. INTERNATIONAL TOURS (NY) INC.
H.I.S. GUAM, INC.
H.I.S. - MERIT TRAVEL INC.
H.I.S. - RED LABEL VACATIONS INC.
H.I.S. KOREA CO., LTD.
H.I.S. Tours Co., Ltd.
PT. HARUM INDAH SARI TOURS & TRAVEL
HIS (HONG KONG) COMPANY LIMITED
H.I.S. TAIWAN COMPANY LIMITED
H.I.S. INTERNATIONAL TRAVEL PTE LTD
H.I.S. AUSTRALIA PTY. LTD.
HIS - MIKI TRAVEL UK LIMITED
GROUP MIKI HOLDINGS LIMITED
HIS INTERNATIONAL TOURS FRANCE SAS
H.I.S. Deutschland Touristik GmbH
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI
Orion Tour Co., Ltd.
QUALITA Co., Ltd.
Ohshu Express Ltd.
Japan Holiday Travel Co., Ltd.
Cruise Planet Co., Ltd.
H.I.S. Okinawa Co., Ltd.

and 97 other companies

(2) Hotel business

The HIS Group engages in the Hotel business and other ancillary businesses in Japan, Taiwan, the United States, Indonesia, Turkey, and other countries.

[Associated companies]

H.I.S. Hotel Holdings Co., Ltd.
Aquaignis Taki Hotel Asset Co., Ltd.
HHH.USA. INC.
GUAM REEF HOTEL, INC.
PT. HARUM INDAH SARI INDONESIA
Green World Hotels Co., Ltd.
HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI

and 8 other companies

(3) Kyushu Sanko Group

The Kyushu Sanko Group, whose holding company is KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., operates businesses including automobile transport and real estate leasing, etc.

[Associated companies]

KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.

and 13 other companies

(4) Other businesses

Laguna Ten Bosch Co., Ltd. owns and operates a theme park in Gamagori, Aichi Prefecture.

H.S. Insurance Co., Ltd. handles property and casualty insurance, mainly for overseas travel.

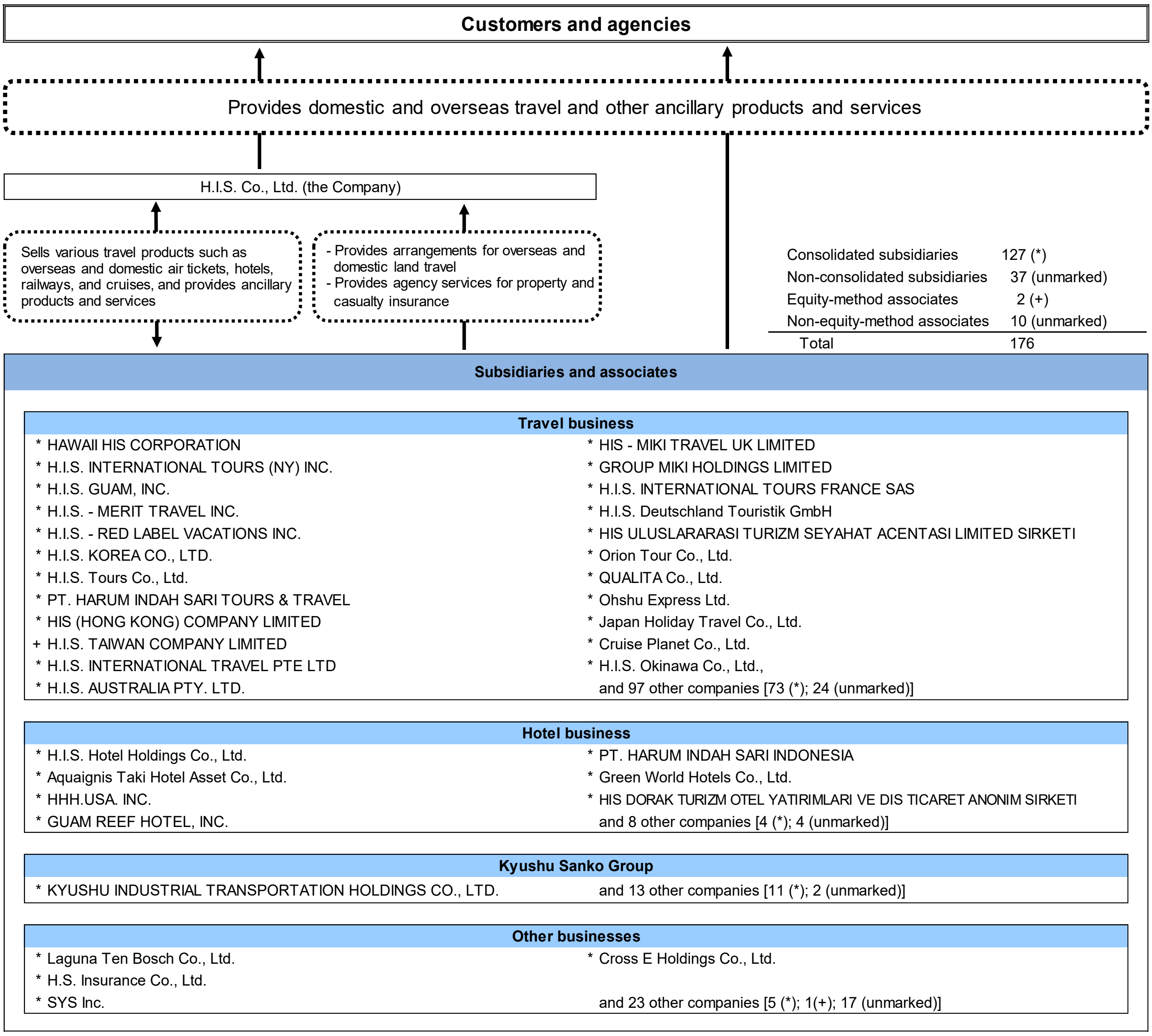
SYS Inc. develops and manages guest room reservation systems, and operates other ancillary businesses.

Cross E Holdings Co., Ltd. is a holding company, and its group companies engage in infrastructure businesses such as facility management, machinery installation, and maintenance.

[Associated companies]

Laguna Ten Bosch Co., Ltd.	Cross E Holdings Co., Ltd.
H.S. Insurance Co., Ltd.	
SYS Inc.	and 23 other companies

The following table illustrates the HIS Group's operating relationships.



(Note) HIS - MIKI TRAVEL UK LIMITED changed its corporate name from H.I.S. EUROPE LIMITED on June 27, 2024.

4. Information on Subsidiaries and Associates

(1) Consolidated subsidiaries

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. U.S.A. HOLDING, INC. (Note) 3	Delaware, U.S.A.	847 thousand USD	Travel business	100.0	1) Concurrent director Two concurrent directors at said company
HAWAII HIS CORPORATION (Note) 2 (Note) 3	Honolulu, Hawaii, U.S.A.	100 thousand USD	Travel business	100.0 (100.0)	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company guarantees liabilities (up to 64 million yen) against bank guarantees.
H.I.S. INTERNATIONAL TOURS (NY) INC. (Note) 2 (Note) 3	New York City, New York, U.S.A.	150 thousand USD	Travel business	100.0 (100.0)	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company guarantees liabilities (up to 154 million yen) against bank guarantees.
H.I.S. GUAM, INC. (Note) 2 (Note) 3	Guam, Territory of U.S.A.	200 thousand USD	Travel business	100.0 (100.0)	1) Business transaction The Company purchases travel products, etc. from said company.
H.I.S. - MERIT TRAVEL INC. (Note) 2 (Note) 3	Vancouver, British Columbia, Canada	45,395 thousand CAD	Travel business	100.0 (100.0)	1) Concurrent director One concurrent director at said company 2) Capital assistance The Company guarantees liabilities (up to 110 million yen) against bank guarantees.
H.I.S. CANADA HOLDINGS INC. (Note) 3	Vancouver, British Columbia, Canada	247,804 thousand CAD	Travel business	100.0	1) Concurrent director One concurrent director at said company 2) Capital assistance The Company loans 45 million yen in working capital.
H.I.S. - RED LABEL VACATIONS INC. (Note) 2 (Note) 3	Vancouver, British Columbia, Canada	191,992 thousand CAD	Travel business	100.0 (100.0)	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies
H.I.S. KOREA CO., LTD. (Note) 3	Seoul, Republic of Korea	425,000 thousand KRW	Travel business	58.8	1) Business transaction The Company purchases travel products, etc. from said company.
H.I.S. Tours Co., Ltd. (Note) 3	Bangkok, Kingdom of Thailand	20,000 thousand THB	Travel business	100.0	1) Business transaction Purchasing and sales of travel products, etc. between the companies 2) Capital assistance The Company guarantees liabilities (up to 227 million yen) against bank guarantees.
PT. HARUM INDAH SARI TOURS & TRAVEL (Note) 3	Denpasar, Republic of Indonesia	168 thousand USD	Travel business	90.0	1) Business transaction Purchasing and sales of travel products, etc. between the companies

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
HIS (HONG KONG) COMPANY LIMITED (Note) 2 (Note) 3	Hong Kong Special Administrative Region, People's Republic of China	1,500 thousand HKD	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies
H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD. (Note) 2 (Note) 3	Republic of Singapore	17,000 thousand USD	Travel business	100.0 (0.1)	1) Business transaction Purchasing and sales of travel products, etc. between the companies 2) Capital assistance The Company guarantees liabilities (up to 100 million yen) against bank guarantees.
H.I.S. INTERNATIONAL TRAVEL PTE LTD (Note) 2 (Note) 3	Republic of Singapore	400 thousand SGD	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies
H.I.S. AUSTRALIA PTY. LTD. (Note) 2	Gold Coast, Queensland, Australia	25 thousand AUD	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies
HIS - MIKI TRAVEL UK LIMITED (Note) 2 (Note) 3 (Note) 6	London, England	210 thousand GBP	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies
GROUP MIKI HOLDINGS LIMITED (Note) 3	London, England	116 thousand EUR	Travel business	70.3	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company loans 5,001 million yen in working capital.
HIS INTERNATIONAL TOURS FRANCE SAS (Note) 2 (Note) 3	Paris, France	2,030 thousand EUR	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies 2) Capital assistance The Company guarantees liabilities (up to 45 million yen) against bank guarantees.
H.I.S. Deutschland Touristik GmbH (Note) 2	Frankfurt, Germany	25 thousand EUR	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies 2) Capital assistance The Company guarantees liabilities (up to 66 million yen) against bank guarantees.
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI (Note) 3	Istanbul, Turkey	9,132 thousand TRY	Travel business	100.0	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company guarantees liabilities (up to 1,151 million yen) against bank guarantees, provides payment guarantees (up to 307 million yen) for trade payables, and loans 645 million yen in working capital.
Orion Tour Co., Ltd. (Note) 3	Chuo-ku, Tokyo	248 million yen	Travel business	100.0	1) Business transaction The Company purchases travel products, etc. from said company.

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
QUALITA Co., Ltd. (Note) 3	Minato-ku, Tokyo	51 million yen	Travel business	100.0	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company provides payment guarantees (up to 10 million yen) for trade payables.
Ohshu Express Ltd. (Note) 3	Minato-ku, Tokyo	100 million yen	Travel business	100.0	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies
Japan Holiday Travel Co., Ltd. (Note) 3	Kita-ku, Osaka, Osaka Prefecture	30 million yen	Travel business	66.7	1) Concurrent director Two concurrent directors at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company guarantees liabilities (up to 1,850 million yen) against bank guarantees and loans 150 million yen in working capital.
Cruise Planet Co., Ltd. (Note) 3	Chiyoda-ku, Tokyo	25 million yen	Travel business	100.0	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies
H.I.S. Okinawa Co., Ltd. (Note) 3	Naha, Okinawa Prefecture	60 million yen	Travel business	100.0	1) Concurrent director Two concurrent directors at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company provides payment guarantees (up to 10 million yen) for trade payables.
H.I.S. Hotel Holdings Co., Ltd. (Note) 3	Minato-ku, Tokyo	10 million yen	Hotel business	100.0	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of hotel products, etc. between the companies 3) Capital assistance The Company guarantees liabilities (up to 235 million yen) against bank guarantees and loans 71,166 million yen in working capital and capital expenditure funding.
Aquaignis Taki Hotel Asset Co., Ltd. (Note) 2 (Note) 3 (Note) 5	Takicho, Taki, Mie Prefecture	100 million yen	Hotel business	50.0 (50.0)	―――
HHH.USA. INC. (Note) 2 (Note) 3	New York City, New York, U.S.A.	10,000 thousand USD	Hotel business	100.0 (100.0)	―――

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
GUAM REEF HOTEL, INC. (Note) 2	Guam, Territory of U.S.A.	10 thousand USD	Hotel business	100.0 (100.0)	1) Business transaction The Company purchases hotel products, etc. from said company. 2) Capital assistance The Company provides payment guarantees (up to 562 million yen) for repair expenses, etc. and loans 307 million yen in working capital and capital expenditure funding.
PT. HARUM INDAH SARI INDONESIA (Note) 2 (Note) 3	Badung, Bali, Republic of Indonesia	180 billion IDR	Hotel business	100.0 (1.0)	―――
Green World Hotels Co., Ltd. (Note) 2 (Note) 3	Taipei, Taiwan	219 million TWD	Hotel business	51.0 (51.0)	1) Capital assistance The Company guarantees liabilities (up to 1,635 million yen) against bank guarantees.
HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI (Note) 2 (Note) 3	Istanbul, Turkey	334,283 thousand TRY	Hotel business	51.0 (51.0)	1) Concurrent director One concurrent director at said company
KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. (Note) 3 (Note) 4	Chuo-ku, Kumamoto, Kumamoto Prefecture	1,065 million yen	Kyushu Sanko Group	91.6	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company loans 2,115 million yen in capital expenditure funding.
H.S. Insurance Co., Ltd. (Note) 3	Chuo-ku, Tokyo	1,612 million yen	Other businesses	100.0	1) Business transaction The Company is a sales representative for travel insurance, etc.
Cross E Holdings Co., Ltd. (Note) 3 (Note) 4	Sasebo, Nagasaki Prefecture	277 million yen	Other businesses	70.6	―――
Laguna Ten Bosch Co., Ltd. (Note) 3	Gamagori, Aichi Prefecture	1,588 million yen	Other businesses	66.0	1) Concurrent director Two concurrent directors at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies
SYS Inc. (Note) 3	Minato-ku, Tokyo	100 million yen	Other businesses	91.4	1) Concurrent director Two concurrent directors at said company 2) Business transaction The Company outsources development of accommodation reservation systems, etc. 3) Capital assistance The Company loans 1,600 million yen in working capital.
And 90 other companies					

(Notes) 1.The "Main business" column indicates segment names stated in "Segment information, etc."

2. Figures in parentheses in the "Ownership of voting rights" column represent percentage of voting rights held indirectly by the Company.
3. These companies fall under the category of specified subsidiaries.
Of the companies included in "And 90 other companies," the companies that fall under the category of specified subsidiaries are as follows.
Shin H.I.S. Co., Ltd., NUMBER ONE TRAVEL SHIBUYA Co., Ltd., TOUR WAVE CO., LTD., Travel Marche Co., Ltd., O.T.B. Co., Ltd., H.I.S. CANADA TRAVEL INC., TRAVELBRANDS USA HOLDINGS, INC., SKYLINK

VOYAGES INC., H.I.S. BRASIL TURISMO LTDA., H.I.S. GIRAS INTERNACIONALES MEXICO, S.A. DE C.V., Jonview Inc., H.I.S. (China) Holding Co., Limited, H.I.S. MANAGEMENT SERVICES SDN. BHD., H.I.S. TRAVEL (MALAYSIA) SDN. BHD., H.I.S. (MACAU) TRAVEL COMPANY LIMITED, H.I.S (Cambodia) Travel Co., Ltd, H.I.S. TRAVEL (INDIA) PRIVATE LIMITED, H.I.S SONGHAN VIETNAM TOURIST COMPANY LTD.,H.I.S. (PHILIPPINES) TRAVEL CORP., H.I.S. GLOBAL BUSINESS, INC.,H.I.S. (FIJI) Pte Limited, H.I.S. NEW ZEALAND LIMITED, H.I.S. EUROPE ITALY S.R.L., Miki Tourist Co., Ltd., Miki Travel Limited, Miki Travel (Hong Kong) Limited, Miki Travel Consultancy (Shanghai) Limited, Miki Travel SDN. BHD, Miki Travel Agency SA, Miki Travel Agency Italia S.R.L., Miki Solutions Limited, Miki Shared Service Centre SDN. BHD, MIKI TRAVEL (TAIWAN) LIMITED, MK Support Service B.V., Miki Travel Online Limited, VOX JAPAN Co., Ltd., SAS CEETIZ, VIAJES H.I.S. MADRID, S.A., H.I.S. International Tours .Ru, H.I.S POLAND Sp.z o.o., H.I.S TRAVEL EGYPT, H.I.S KENYA LIMITED, HIDE INTERNATIONAL SERVICE MAROC, H.I.S. MANAGEMENT CONSULTING DMCC, Vison Hotel Management Co., Ltd., HHH.KOREA. INC., DORAK HIS OTELCILIK VE TIC.A.S., HHH CENTRALASIA FE LLC, Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Kyushu Sanko Landmark Co., Ltd., Kumamoto Ferry Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Auto Service Co., Ltd., Kyushu Sanko Retail Co., Ltd., KASSE JAPAN Co., Ltd., Kyushu BM Service Co., Ltd., Kyushu Sanko Planning Co., Ltd., HIS Design and Plus Co., Ltd., Huis Ten Bosch Technical Center Co., Ltd., Nishinihon Engineering Co., Ltd., hapi-robo st, Inc., H.I.S. Mobile Co., Ltd.

4. These companies file an Annual Securities Report (Yukashoken Hokokusho).
5. The Company holds a stake of 50% or less in Aquaignis Taki Hotel Asset Co., Ltd. However, Aquaignis Taki Hotel Asset Co., Ltd. is effectively under the Company’s control and regarded as a subsidiary.
6. HIS - MIKI TRAVEL UK LIMITED changed its corporate name from H.I.S. EUROPE LIMITED on June 27, 2024.

(2) Equity-method associates

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. TAIWAN COMPANY LIMITED	Taipei, Taiwan	42 million TWD	Travel business	50.0	1) Concurrent director Two concurrent directors at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies
One other company					

(Note) The “Main business” column indicates segment names stated in “Segment information, etc.”

5. Employees

(1) Consolidated companies

As of October 31, 2024

Segment	Number of employees	
Travel business	7,829	[843]
Hotel business	730	[264]
Kyushu Sanko Group	1,449	[310]
Reportable segments total	10,008	[1,417]
Other	363	[279]
Corporate-wide (shared)	293	[12]
Total	10,664	[1,708]

(Notes) 1. The number of employees represents full-time employees only. An additional figure for the average number of temporary staff employed during the fiscal year is presented in square brackets.
2. The employees in "Corporate-wide (shared)" are those belonging to administrative departments and thus do not fall under any business segment.

(2) The filing company

As of October 31, 2024

Number of employees		Average age	Average length of service	Average annual salary (yen)
4,141	[558]	37.6 years old	13.1 years	5,212,706

Segment	Number of employees	
Travel business	3,812	[472]
Reportable segments total	3,812	[472]
Other	36	[74]
Corporate-wide (shared)	293	[12]
Total	4,141	[558]

(Notes) 1. The number of employees represents full-time employees only. An additional figure for the average number of temporary staff employed during the fiscal year is presented in square brackets.
2. Average annual salary includes bonuses and extra wages.
3. The employees in "Corporate-wide (shared)" are those belonging to administrative departments and thus do not fall under any business segment.

(3) Labor unions

There are no applicable matters to report.

(4) Ratio of female employees in management positions, ratio of male employees taking childcare leave, and wage differences between male and female employees

1) The filing company

Year ended October 31, 2024				
Ratio of female employees in management positions (%) (Note) 1	Ratio of male employees taking childcare leave (%) (Note) 2	Wage differences between male and female employees (%) (Notes) 1, 3, 4		
		All employees	Of which, regular employees	Of which, non-regular employees
17.5	70.0	71.0	72.3	52.2

(Notes) 1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).
2. Calculated as the "ratio of childcare leave, etc. taken" in Item 1 of Article 71-4 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991) pursuant to the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).
3. The wage differences between male and female employees represent the ratio of the average annual wage for women to that for men, with the men's average annual wage set to 100.

4. The HIS Group applies the same standards for wages based on job responsibilities, capabilities, and other qualifications, regardless of gender. The wage differences between regular male and female employees are considered to result from a slightly higher ratio of men in management positions, age composition, and longer average years of service, as well as a higher ratio of women utilizing short working hours. The wage differences between non-regular male and female employees are attributable to differences in employment types. A higher ratio of female employees work part-time, while a higher ratio of male employees are re-employed after retirement, with their compensation being determined based on pre-retirement responsibilities, qualifications, and other considerations, resulting in differences in wages.

2) Consolidated subsidiaries

Year ended October 31, 2024					
Company name	Ratio of female employees in management positions (%) (Note) 1	Ratio of male employees taking childcare leave (%) (Note) 2	Wage differences between male and female employees (%) (Notes) 1, 3, 4		
			All employees	Of which, regular employees	Of which, non-regular employees
H.I.S. Hotel Holdings Co., Ltd.	0.0	100.0	69.6	89.0	66.1
Kyushu Sanko Bus Co., Ltd.	12.5	75.0	57.3	73.3	34.0
Kyushu Sanko Tourism Co., Ltd.	23.8	0.0	78.9	75.2	84.9
Kyushu Sanko Retail Co., Ltd.	9.1	—	72.6	74.5	67.7
Kyushu Sanko Auto Service Co., Ltd.	0.0	0.0	85.3	78.8	94.8
Sanko Bus Co., Ltd.	22.2	0.0	68.4	81.4	52.6
Laguna Ten Bosch Co., Ltd.	0.0	100.0	80.7	78.7	96.0
Miki Tourist Co., Ltd.	14.7	—	—	—	—

(Notes) 1. Calculated in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015)
For subsidiaries not subject to disclosure, “—” is shown in place of figures.
2. Calculated as the “ratio of childcare leave, etc. taken” in Item 1 of Article 71-4 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) pursuant to the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).
For subsidiaries with no applicable individuals or not subject to disclosure, “—” is shown in place of figures.
3. The wage differences between male and female employees represent the ratio of the average annual wage for women to that for men, with the men’s average annual wage set to 100.
4. Each company applies the same standards for wages based on job responsibilities, capabilities, and other qualifications, regardless of gender. The wage differences between regular male and female employees are considered to result from a slightly higher ratio of men in management positions, age composition, and longer average years of service, as well as a higher ratio of women utilizing short working hours. The wage differences between non-regular male and female employees are attributable to differences in employment types. A higher ratio of female employees work part-time, while a higher ratio of male employees are re-employed after retirement, with their compensation being determined based on pre-retirement responsibilities, qualifications, and other considerations, resulting in differences in wages.
5. The figures are as of the fiscal year-end date for each company.
6. As O.T.B. Co., Ltd. regularly employs between 101 and 300 workers, it has not disclosed the ratio of female employees in management positions, the ratio of male employees taking childcare leave, or wage differences between male and female employees pursuant to the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015) and the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991). Accordingly, these figures are not presented in this report.

II. Business Overview

1. Management Policy, Management Environment, and Issues to be Addressed, etc.

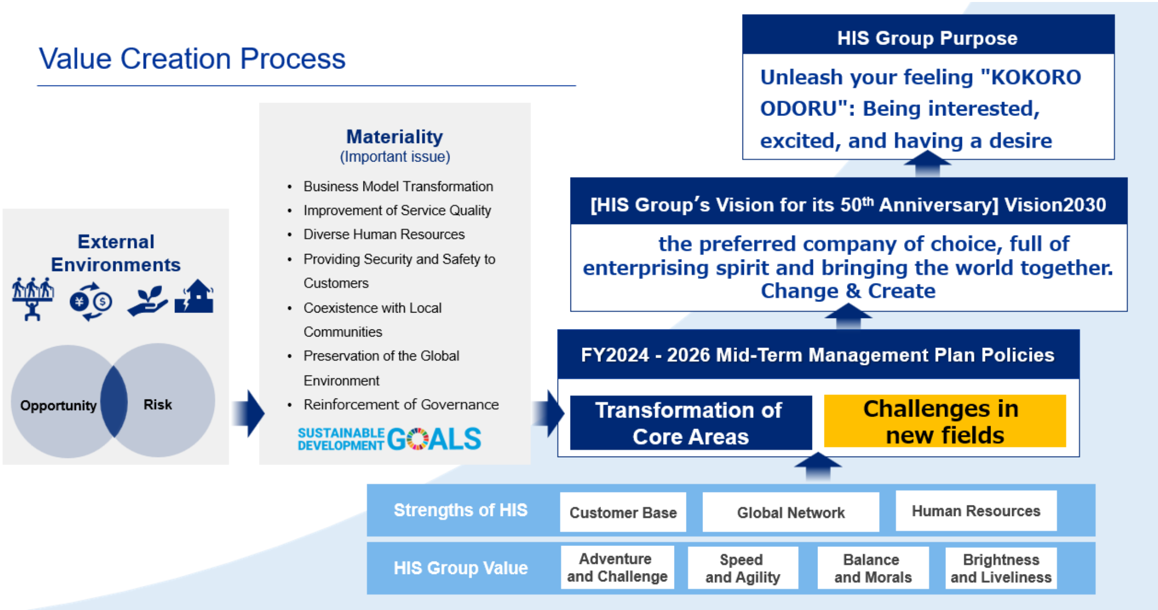
(1) Management policy

In accordance with the HIS Group Philosophy, the HIS Group aims to achieve sustainable growth for the Group as a whole by operating a wide range of businesses centered on travel under the banner of the HIS Group Purpose—Unleash your feeling "KOKORO ODORU." We aspire to be a company that contributes to global peace by facilitating a large number of encounters and connections, fostering the creation of rich and irreplaceable moments, and promoting mutual understanding among people.

For information on the HIS Group Philosophy, please visit the following website.
https://www.his.co.jp/en/company/philosophy/

(2) Medium- to long-term corporate management strategy and key performance indicators

As the HIS Group approaches its 50th anniversary in 2030, it has set forth a vision for achieving sustainable growth and purpose-driven management. Based on this vision, the Group has formulated specific management targets and policies in its medium-term management plan (FY2024–2026).



1) Vision for the Group's 50th anniversary (Vision 2030)

Vision 2030 Be the preferred company of choice, full of enterprising spirit and bringing the world together Change & Create

The HIS Group has set forth Vision 2030, outlining what it aspires to achieve by 2030.

[Aspirations embodied in Vision 2030]

・A spirit of challenge—the principle that has guided the Group since its founding

As the HIS Group continues to embrace challenges, it will encourage and support diverse challenges around the world. Through such efforts, it aims to grow alongside society and contribute to the creation of a better future.

・Bringing the world closer by harnessing the Group's global network

As of the end of October 2024, the HIS Group operates 146 locations in Japan and 145 locations across 110 cities in 58 countries overseas. This extensive global network is a distinctive strength of the Group. Its business domain spans from the tightly connected world of local communities to the vast reaches of outer space.

・A company chosen time and again by customers, society, and HIS Group employees

To create unique value that only the HIS Group can offer, we place the needs of customers and society first, aiming to become a company that continues to be chosen across generations and borders. We also seek to build a better working environment as a company where employees can find fulfillment in their work.

2) Overview of the policy and action plans in the medium-term management plan (FY2024–2026)

To achieve its consolidated management and financial targets, the HIS Group's medium-term management plan is centered on two key policies: "improving core areas" and "tackling new challenges." The Group will focus on the following six key initiatives as specific action items.

・Utilization of global network

In its overseas operations, the HIS Group will work to rebuild its business portfolio in each country to reduce reliance on the inbound business focused on Japanese travelers visiting overseas destinations. For the fiscal year ending October 31, 2026, the Group aims to generate 60% or more of its operating profit from the global market business and new businesses.

・Creation of lifelong customers (LTV maximization)

Going forward, the HIS Group aims to increase opportunities for customers to engage with its products and services not only in travel-related contexts but also throughout the customer's lifetime and across various aspects of daily life. By doing so, it seeks to help customers feel closer to the Group and foster lifelong relationships. In response to the slowing market growth caused by Japan's declining birthrate and aging population, as well as the increasing diversity of customer preferences and purchasing behavior, the Group will work to enhance the customer experience (CX) and expand customer touchpoints by leveraging information technologies, including AI.

・Business efficiency and cost structure reforms

The HIS Group will work to improve efficiency by consolidating and transferring reservation operations in countries around the world. The Group aims to enhance productivity by making greater use of data through operational consolidation on a global scale and the promotion of digital transformation (DX).

・Growth of travel-related and non-travel businesses

In the travel-related sector, the HIS Group will focus on the highly profitable Hotel business, while in non-travel sectors, it will continue to pursue the new businesses that were actively promoted even during the COVID-19 pandemic. The Group will aim to rebuild its business portfolio to ensure sustainable growth.

・Growth through M&A (investment strategy)

To achieve sustainable growth, the HIS Group will work to establish a stable and recurring investment cycle. In the travel and travel-related sectors, it will focus on investments that complement existing businesses, while in non-travel sectors, it will explore investment opportunities in new business areas with future potential.

・Human capital strategy (human capital management)

With the goal of "constructing a foundation that unleashes "KOKORO ODORU" for all employees and stirs transformation," the HIS Group will advance initiatives under three key pillars: acceleration of management speed, active participation by diverse human resources, and enhancement of engagement. By enabling employees to feel fulfillment and excitement in their work, the Group aims to improve both its job satisfaction index and man-hour productivity.

3) Consolidated management and financial targets

	Year ended October 31, 2024	Year ending October 31, 2025	Year ending October 31, 2026
Consolidated net sales	350,000 million yen	390,000 million yen	430,000 million yen
Consolidated operating profit	9,000 million yen	12,000 million yen	18,000 million yen
Consolidated profit margin	2.6%	3.1%	4.2%
Ordinary profit	7,200 million yen	10,000 million yen	16,000 million yen
Shareholders' equity ratio	11%	13%	15%

The figures above represent the targets set when formulating the medium-term management plan (as of December 15, 2023).

In the consolidated results for the fiscal year ended October 31, 2024, net sales were 343,334 million yen (up 36.1% year on year), operating profit was 10,854 million yen (up 563.8% year on year), and ordinary profit was 10,451 million yen (up 534.7% year on year).

For the consolidated forecast for the fiscal year ending October 31, 2025, the Group forecasts net sales of 390,000 million yen (up 13.6% year on year), operating profit of 12,000 million yen (up 10.6% year on year), and ordinary profit of 11,000 million yen (up 5.3% year on year).

・Financial policy:

The HIS Group will work to strengthen its financial base—specifically, targeting a recovery of its shareholders' equity ratio—by building up capital (accumulating profit in its main business), reducing interest-bearing debt, and selecting businesses (concentrating on profitable and high-future-potential businesses).

・Future policy on dividends:

If results are in line with its earnings forecasts, the HIS Group intends to resume stable and continuous profit distribution. (Dividend payout ratio: target is 10–15% over the three-year period)

4) Initiatives for sustainability

The HIS Group recognizes the promotion of sustainability as a key management priority under the banner of its Purpose—Unleash your feeling "KOKORO ODORU." The Group believes that enabling people around the world to experience excitement requires strong connections and mutual understanding among people and communities, respect for human rights, a healthy global environment that serves as the foundation for all living beings, including humanity, and the achievement of world peace. In addition to addressing the SDGs and ESG-related issues, the Group will promote the active participation of diverse talent, harmonious co-existence with local communities, conservation of the global environment, and reinforcement of Group governance, aiming to enhance its overall corporate value and contribute to the development of a sustainable society.

For information on the medium-term management plan, please visit the following website.
https://www.his.co.jp/en/ir/plan/

(3) Management environment and issues to be addressed

In the consolidated fiscal year ended October 31, 2024, there were concerns that the HIS Group's business activities could be affected by external factors such as an unstable international situation, inflation, and yen depreciation. However, a gradual recovery is expected to continue, supported by improvements in employment and income conditions and the effects of various policies.

Amid such an environment, the key issues that the Group must address are outlined below.

1) Strengthening Group governance

As announced in the "Notice Regarding Investigation into Receipt of Employment Adjustment Subsidies at a Consolidated Subsidiary and Postponement of Financial Results Announcement for the Fiscal Year Ended October 31, 2024," dated November 25, 2024, the HIS Group established a Special Investigation Committee composed of external experts to ensure expertise and objectivity, and conducted an investigation to determine whether any issues existed regarding the receipt of employment adjustment subsidies and related matters within the Group.

As a result, the Group decided to postpone the announcement of financial results for the fiscal year ended October 31, 2024 and the submission of the Annual Securities Report. In addition, matters to be reported at the 44th Ordinary General Meeting of Shareholders—namely, the "Business Report and Consolidated Financial Statements for the 44th Term (from November 1, 2023 to October 31, 2024), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee" and the "Non-Consolidated Financial Statements for the 44th Term (from November 1, 2023 to October 31, 2024)"—will be reported at the adjourned meeting of the General Meeting of Shareholders.

Based on various investigations, it was determined by the Tokyo Labour Bureau that NUMBER ONE TRAVEL SHIBUYA Co., Ltd., a consolidated subsidiary of the Company, had submitted false applications claiming employees were on leave on days they had actually worked, and had fraudulently received employment adjustment subsidies. Consequently, the Company returned the improperly received employment adjustment subsidies, together with penalties and delinquency charges. In addition, after the investigation results were reported to the Tokyo Labour Bureau, it was determined that a portion of the employment adjustment subsidies and related subsidies received by the Company included errors, and the amounts corresponding to the improperly received subsidies were voluntarily returned. Furthermore, as stated in the "Notice Regarding Receipt of the Special Investigation Committee's Investigation Report," dated March 21, 2025, based on the results of the investigation covering the entire Group, including consolidated subsidiaries other than the one mentioned above, the Group has received a report indicating that fraudulent receipt of employment adjustment subsidies was identified at two additional consolidated subsidiaries, and that improper receipt was identified at 14 consolidated subsidiaries.

The Company takes seriously the investigation results and recommendations to prevent recurrence received from the Special Investigation Committee. It will address the issues revealed through these investigations—including labor management practices and the thorough implementation of the three-lines model of internal controls—through Group-wide efforts. By further strengthening internal control and governance systems and embodying the HIS Group Philosophy, which incorporates the Group's founding spirit, guiding principles, and the values it aims to continue delivering to society, the Company will work to enhance corporate value and regain the trust of its stakeholders.

2) Increasing financial soundness

The HIS Group recognizes that strengthening its shareholders' equity is an immediate priority and aims to improve free cash flow by enhancing profit margins across each business segment and reviewing capital expenditure plans. While maintaining adequate liquidity on hand in the near term, the Group will focus on strengthening its financial structure by thoroughly reducing costs, accumulating profits from core businesses, and reducing interest-bearing debt. The Group aims to build a sound financial foundation by setting short-term targets of achieving a shareholders' equity ratio of 20% or higher and a return on equity (ROE) of 20% or higher, as benchmarks for financial stability and profitability.

3) Responding to change based on material issues

The HIS Group analyzes various external factors as "growth opportunities" and "business risks," and has identified seven material issues (materiality) that must be addressed to ensure corporate sustainability. It has incorporated each material issue into the strategy of the medium-term management plan, set corresponding targets and KPIs, and is working toward their achievement.

・Business model transformation

The HIS Group recognizes that improving productivity and enhancing profitability in each business domain are immediate priorities. To address these challenges, the Group will promote digital transformation, aim to transition toward a more efficient business structure, and work to rebuild its business portfolio. In addition, amid the dramatic changes in society and business brought about by technological advancement, the Group will identify new possibilities without being constrained by existing concepts, continue to adapt to various forms of change, and work toward achieving sustainable growth.

・Service quality improvement

The HIS Group intends to create new experience-driven value and expand its service offerings by leveraging its global network and infrastructure to the fullest. Through these initiatives, the Group strives to deliver high-quality products and services. It will also make efforts to please and gain the support of customers throughout the world by working to improve the level of its services both in Japan and overseas.

・Diverse human resources

The HIS Group believes that its people are the source of its value creation. By fostering a workplace environment where each employee respects the individuality, character, and human rights of others, and where employees can work comfortably, the Group aims to empower employees to take on challenges in their own way, continue growing, and transform diversity into a strength. The Group will continue to promote diversity, equity, inclusion, and belonging (DEIB).

・Providing security and safety to customers

The HIS Group believes that safety management and quality control of the services it provides are critical to ensuring customer security and safety. In its core Travel business, the Group has developed the HIS Quality and Safety Control Guidelines and is working to ensure awareness among overseas HIS branches and business partners.

In addition, the Group regards both the information it holds, such as customer contact details, and the information systems—including the computers and networks—through which such information circulates, as important information assets. The Group recognizes that ensuring information security is a critical responsibility in protecting these information assets from all threats and maintaining appropriate safety management. To this end, it has established organizational and technical management frameworks to prevent unauthorized access, leakage, and other risks to information assets, and will continue to ensure the secure and appropriate management and operation of such assets.

・Co-existence with local communities

Operating in various regions both in Japan and overseas, the HIS Group believes it is important to maintain good communication with local communities and to show respect for local resources such as culture, historical heritage, the natural environment, as well as local ways of life. The Group will continue to work alongside local communities to help realize a sustainable society.

・Preservation of the global environment

The HIS Group recognizes that each of its businesses depends on the maintenance of a healthy global environment. To help maintain a healthy global environment, the Group will promote initiatives for environmental conservation, including the reduction of CO_2 emissions, energy conservation, waste reduction, promotion of recycling, and the elimination of inefficiencies.

・Reinforcement of governance

In addition to the initiatives described under "(3) Management environment and issues to be addressed, 1) Strengthening Group governance," the Risk Management Office, which serves as the secretariat of the Risk / Compliance Committee, will continue to provide compliance and risk management training for officers and employees of the Company and its subsidiaries, with the aim of further raising compliance awareness.

Materiality	Related Risks/Opportunities	Main Goals, KPIs	Contributing SDGs Targets
Business Model Transformation	a. Changes in economic and social conditions b. Changes in the market c. Response to technological innovation	• Expansion and reinforcement of global markets • New destination development • Business efficiency and cost structure reform • Promotion of new business KPI (Consolidated) FY2026 Net Sales: 430.0 billion yen	
Service Quality Improvement	a. Changes in economic and social conditions b. Changes in the market c. Response to technological innovation	• Improvement of customer experience value through DX promotion • Seamless sales channels (promotion of OMO) • Expansion of high value-added products	
Diverse Human Resources	b. Changes in the market f. Development and securing of human resources	• DEIB Promotion • Management leadership development • Reform of work styles and culture KPI FY2026 Job Satisfaction Index 80%, (Non-consolidated) FY2026 Ratio of female directors and managers 20%	
Providing Security and Safety to Customers	d. Safety and quality control of services provided e. Interruption or degradation of service quality due to system or equipment failure, etc.	• Development and update of various safety guidelines and manuals • System security measures KPI (Non-Consolidated) Annual e-learning training participation rate: 100% for personal information / 100% for security	
Co-Existence with Local Communities	a. Changes in economic and social conditions g. Climate change, environmental regulations	• Providing services that connect anyone to the world (universal tourism, online travel) • Co-creation with local communities (collaboration with local governments, NGOs & NPOs)	
Preservation of the Global Environment	g. Climate change, environmental regulations	• Initiatives to reduce environmental burden in business operations • Promotion of energy and resource conservation KPI (non-consolidated) FY2026 plastic reduction 70%, paper resource reduction 70% (vs 2019)	
Reinforcement of Governance	h. Governance	• Reinforcement of the effectiveness of the Board of Directors • Reinforcement of risk compliance and sustainability response KPI (non-consolidated) FY2024 conduct compliance training 6 times per year, 100% participation rate	

2. Views and Initiatives related to Sustainability

The HIS Group operates its businesses globally under its Purpose—Unleash your feeling “KOKORO ODORU”—which encourages encounters with uncharted worlds, connections with people, enriched times, “Waku-waku” (excitement), elation, and thoughts on peace.

The Group believes that two elements are essential for people around the world to experience this “unleashing of feeling.” The first is a society in which diversity is valued, human rights are respected, and people can live in peace, regardless of nationality, race, culture, or religion. The second is a healthy global environment that serves as a foundation not only for humans but for all living beings.

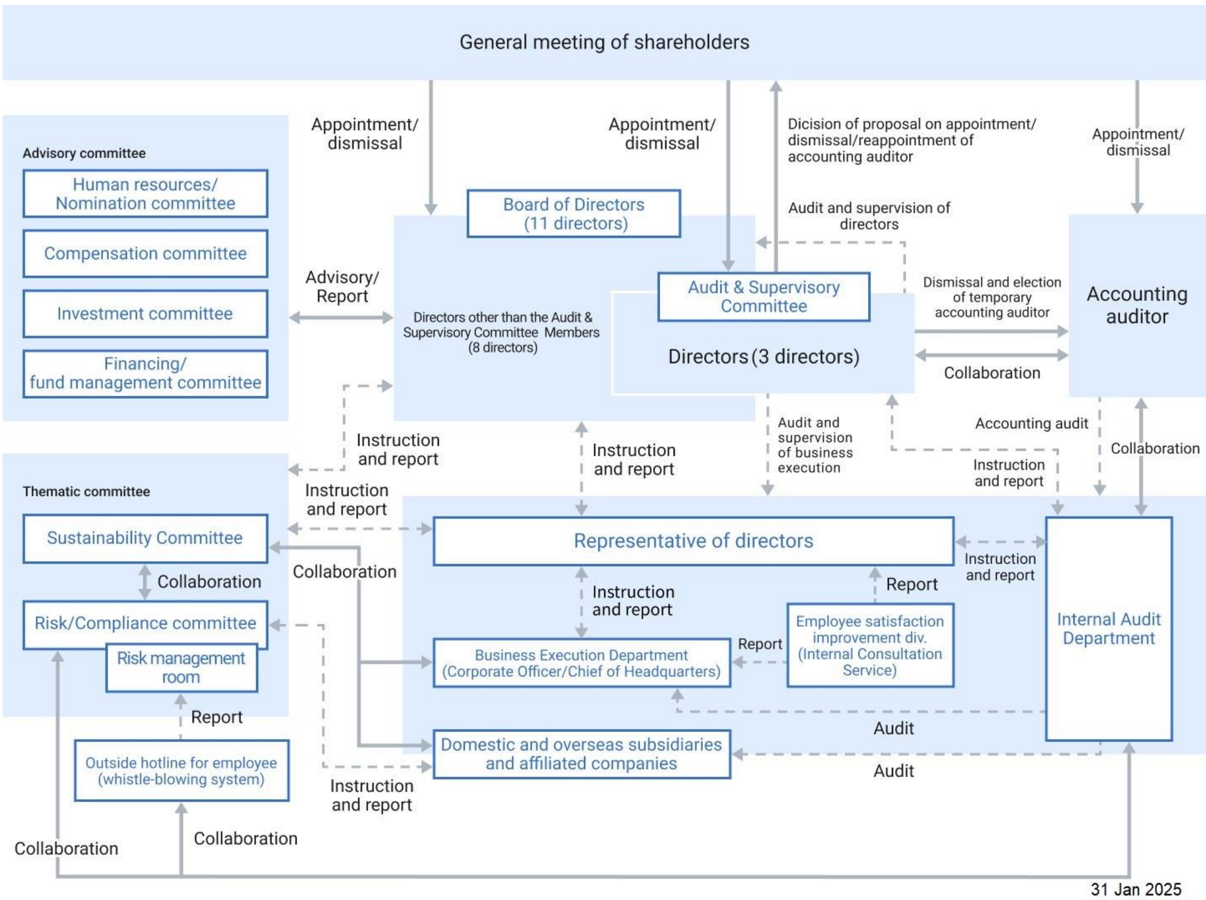
With the realization of its Purpose and contribution to the SDGs in mind, the Group has established Vision 2030, outlining what it aspires to achieve by 2030. In working toward achieving this vision, the Group will maintain a strong awareness of co-existence, co-living, and co-prosperity, addressing social and environmental issues through its businesses. Through these efforts, it aims to contribute to the development of a sustainable society while also pursuing its own sustainable growth and enhancing its corporate value over the medium to long term.

1. Governance

The HIS Group—in accordance with the HIS Group Philosophy, which sets forth the values the Group aims to continuously provide to society, its Code of Conduct, and its founding spirit—is working to establish and operate an internal control system, strengthen its sustainability promotion framework, enhance corporate value, and become a company that continues to be chosen by customers.

Under the leadership of the Sustainability Committee chaired by the president and representative director, the Group collaborates with the Risk / Compliance Committee, business execution departments, and domestic and overseas subsidiaries to discuss important policies and initiatives, monitor and track progress against targets, and promote sustainability initiatives. In addition, to enhance the effectiveness of efforts to address material issues (materiality), the Group has established several working groups under the Sustainability Committee, including the Sustainability Promotion Project, the DEIB Promotion Project, the Human Rights DD Promotion Project, and the Americas Sustainability Committee, all comprising members from business execution departments. These groups conduct regular activities, which are monitored by the Sustainability Committee. Important matters are submitted or reported by the Committee to the Board of Directors, which provides necessary instructions and advice as appropriate.

Corporate governance structure



2. Strategy

The HIS Group analyzes various external factors as “growth opportunities” and “business risks,” and has identified seven material issues (materiality) to address as a company. Among them, the Group has designated “preservation of the global environment,” “co-existence with local communities,” “diverse human resources,” and “reinforcement of governance” as key themes, positioning sustainability as a management priority.

In addition, as the Group primarily engages in businesses that connect people across various regions both in Japan and overseas, respect for human rights lies at the core of its approach to sustainability. The Group believes it is important for each officer and employee to respect human rights, and for the Group as a whole to conduct business activities while respecting the human rights of customers, business partners, local communities, and others across the supply chain. To clarify the Group’s approach to human rights and fulfill its corporate responsibility to respect human rights, the Group established the HIS Group Human Rights Policy in December 2024. The Group will work to instill this policy within its organization and integrate it into business activities, while also striving to gain the understanding and support of its business partners. Furthermore, the Group will build and implement a human rights due diligence framework.

For information on the HIS Group Human Rights Policy, please visit the following website.
https://www.his.co.jp/en/sustainability/social/human_rights/

(1) Climate change

The HIS Group has expressed its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and participates in the TCFD Consortium. In line with the TCFD recommendations, the Group has conducted a climate change scenario analysis and has summarized the climate change-related risks and opportunities affecting its businesses, the magnitude of their potential impacts, and the corresponding countermeasures. The Group will reflect items with high risk importance and long-term implications in the strategy of its medium-term management plan, and promote focused responses.

Note:＜Term＞Short-term: to 2024, Mid-term: to 2026, Long-term: 2030

Type of risk	Risk and Opportunity Topics	Impact	Term	Measures
Physical risk	・Increase in the frequency of typhoons, heavy rains, heat waves, etc. and exacerbation of damage	Large	Short- to long-term	・Crisis management manual-based customer support ・Enhancement of Tabimae support service (cancellation support) ・Provision of safety and security leveraging global network (DX promotion) ・Disaster prevention manuals for owned facilities and vehicles; enforcement of disaster prevention drills ・Preparation of stockpiles and evacuation framework
	・Service provision suspension or delay associated with data center (DC) damage caused by natural disaster	Medium	Short- to mid-term	・Review of DC configuration ・Migration of servers to cloud ・Redundancy for key data
Transition risk	・Increase in business operating costs due to taxation rate hikes and restrictions on the operation of vehicles, etc. under the strengthening of regulations related to greenhouse gas (GHG) emissions	Small	Mid- to long-term	・Promotion of shift to FCVs, EVs, etc. for owned buses and vehicles ・Investment in and adoption of environmentally considerate means of transportation ・Assessment of suppliers' GHG emissions and study of sustainable procurement
	・Increase in business operating costs due to adoption of carbon pricing	Small	Long term	・Energy conservation and adoption of renewable energy ・Promotion of shift to FCVs, EVs, etc. for owned buses and vehicles ・Promotion of plastic product reduction and paperless operation
	・Cooling of consumer psychology due to service price increase associated with soaring fuel prices	Medium	Short- to long-term	・Promotion of microtourism ・Boosting of demand for travel ・Provision of new experiential value
	・Changes in customer behavior and preferences due to heightened concern over climate change	Large	Short- to long-term	・Promotion of plastic product reduction and paperless operation ・Provision of environmental protection experiential program ・Promotion of shift to FCVs, EVs, etc. for owned buses and vehicles ・Provision of carbon neutral products ・Provision of new experiential value ・Adoption of environmentally considerate means of transportation ・Active information disclosure
	・Decrease in services originating in environmental changes such as temperature rise and sea level rise, or originating in the enactment of associated new regulations, legislation, and ordinances	Medium	Mid- to long-term	・New product development, destination development ・Product development aimed at protection of the natural environment (in cooperation with tourism bureaus and local government bodies) ・Expansion of business other than the travel business
	・Decline in corporate value and decrease in investment targets and business partners if climate change initiatives are viewed as insufficient	Medium	Short- to long-term	・Active information disclosure ・Investment in renewable energy

01 Dec 2023

(2) Human capital

[Basic view on human capital]

The HIS Group considers its human resources to be the source of its value creation and is working to build a foundation where each employee can find fulfillment and unleash their feeling in their work.

The Group’s history began by challenging conventional norms in the travel business.

The Company was founded in 1980. At the time, the number of annual outbound Japanese travelers stood at approximately 3.9 million, one-fifth of the market size in 2019.

In a market geared heavily toward high-priced group tours, the Group pioneered foreign independent tours (FITs) using low-cost airline tickets and worked to explore new markets for individual and independent travel.

The Group has formulated a vision for 2030, which will mark the 50th anniversary of its founding. It declares the goal of becoming “the preferred company of choice, full of enterprising spirit and bringing the world together: Change & Create.” The message begins with a reference to the enterprising spirit, which was the starting point of the Group’s operations.

The exploration of new challenges has been an essential part of the Group’s history, and it aims to transform itself and achieve sustainable growth by helping ensure that individual employees can take on exciting challenges.

[Overview of the medium-term human capital strategy leading up to the fiscal year ending October 31, 2026]

As one of the six action plans set forth in the medium-term management plan, the HIS Group has adopted a human capital strategy (human capital management) and is advancing related initiatives.

<table>
<tr><td colspan="4">Medium-term Management Plan: Human Capital Strategy (Human Capital Management)</td></tr>
<tr><td colspan="4">Construction of a foundation that unleashes “KOKORO ODORU” for all employees and stirs transformation
Enabling each employee to find fulfillment in their work and unleashes their feeling in their work.
By building up such experiences, the HIS Group will drive transformation and achieve sustainable growth.</td></tr>
<tr><td>Key issues</td><td>(1) Acceleration of management speed</td><td>(2) Active participation by diverse human resources</td><td>(3) Enhancement of engagement</td></tr>
<tr><td>FY2026 KPIs</td><td colspan="2">Job satisfaction index
Employee satisfaction survey (all employees)
80% of Group employees worldwide agree that “the Company offers a rewarding work environment.”</td><td>Transformation index (man-hour productivity)
1.6 times higher than FY2023 (non-consolidated basis)</td></tr>
<tr><td colspan="4"></td></tr>
<tr><td colspan="4">Basic Strategies</td></tr>
<tr><td colspan="4">Human Resource Development Policy
In the spirit of Vision 2030 to “be the preferred company of choice, full of enterprising spirit and bringing the world together: Change & Create,” we are working to foster personnel who each have their own great dreams and goals, are free thinkers not limited by conventional ideas, and take on new challenges without fear of failure.</td></tr>
<tr><td colspan="4">DEIB Promotion Policy
The HIS Group is committed to promoting diversity, equity, inclusion, and belonging (DEIB) with the aim of fostering a workplace where each employee respects one another, challenges themselves in their own way, continues to grow, and transforms diversity into a source of strength.
The Group will work to realize an environment where everyone can actively contribute and will continue delivering the value of “unleashing your feeling—KOKORO ODORU” to people around the world.</td></tr>
<tr><td colspan="4">Health Management Declaration
The health of every employee working at the HIS Group is the foundation for realizing the HIS Group Purpose of “unleashing your feeling—KOKORO ODORU.”
The HIS Group, with the Company and employees working together as one, will promote initiatives to maintain and improve health, aiming to become a Group where employees and their families can live with vitality and positivity, maintaining both physical and mental well-being.
1. Employees will raise their awareness of health and work to maintain and improve their own health and that of their families.
2. The Company will actively support employee health management and health promotion efforts.
3. The Company will promote the creation of workplaces that ensure both physical and psychological safety for employees.
4. By delivering uplifting value, the HIS Group will spread smiles around the world and promote people’s health and peace.</td></tr>
<tr><td colspan="4">Internal Environment Development Policy
The HIS Group has established the principle of “securing a comfortable and safe workplace environment” in its Code of Conduct.
To enable employees to continue taking on challenges with vitality and a positive spirit, the Group will promote the creation of workplaces that ensure not only physical safety but also psychological safety, aiming to enhance work engagement.</td></tr>
<tr><td colspan="4"></td></tr>
</table>

Individual strategies				
Talent development and recruitment	DEIB promotion	Work style reforms	Philosophy-driven management	Career autonomy

[Human capital strategy: Overview of individual strategies and key initiatives for the three key issues]

Key issues	Individual strategy	Key initiatives
(1) Acceleration of management speed	Talent development and recruitment	・Develop talent who can lead during periods of transformation ・Recruit and support talent in the IT and digital fields
(2) Active participation by diverse human resources	DEIB promotion	・Promote the active participation of women ・Promote the active participation of talent at overseas offices ・Respect diversity
	Work style reforms	・Promote health management ・Promote diverse working styles
(3) Enhancement of engagement	Philosophy-driven management	・Foster understanding and widespread adoption of the HIS Group Philosophy
	Career autonomy	・Support autonomous career development and create diverse growth opportunities

<Key initiatives>

〇Develop talent who can lead during periods of transformation

The HIS Group considers the development of next-generation leaders essential to achieving transformation and sustainable growth within the Group. To this end, the Group will implement systematic leadership development initiatives.

・Develop next-generation leaders
・Formulate and promote a succession plan to support sustainable business growth
・Implement training programs to enhance IT and digital literacy in line with technological advancements

〇Recruit and support talent in the IT and digital fields

To strengthen the IT and digital fields, which are critical to achieving the targets of the medium-term management plan, the HIS Group has established an IT Digital Course within its new graduate recruitment program. As part of the five-day summer internship, participants experienced (1) developing applications using generative AI with the programming language PHP, and (2) launching a new travel agency branch from the perspective of a systems manager. In addition, through a one-day open company program, the Group introduced initiatives aimed at promoting digital transformation and held sessions for participants to consider new service ideas. Through these initiatives, the Group is actively promoting the recruitment and development of talent in the IT and digital fields.

〇Promote the active participation of women

The HIS Group has a high ratio of female employees and promotes the active participation of women in the workplace as one of its important themes.

In 2021, the Company was recognized as a child-rearing support company ("Kurumin" certification) and as a company that promotes the participation and advancement of women in the workforce (Level 3 of the "Eruboshi" certification). In 2019, it established the D&I Promotion Office as a dedicated organization. In 2023, it further expanded the scope of the office and reorganized it into the DEIB Promotion Office.

To increase the number of female employees participating in management, the Company has set targets for the ratio of female employees in managerial and executive positions, launched a nationwide project led by the president and representative director, and is promoting initiatives across the entire Company. In parallel, subcommittees have been established in each region to address region-specific challenges.

In addition, to create a comfortable work environment where employees can balance work and childcare regardless of gender, the Company has set a target for the ratio of male employees taking childcare leave.

〇Promote the active participation of talent at overseas offices

The HIS Group's global business operations are supported by the human resources working at its overseas locations, and their contributions are one of the important themes for the Group.

The Group has set a target for the ratio of non-Japanese managers at its overseas affiliated companies by the fiscal year ending October 31, 2026 and will continue to develop and promote talent to achieve this goal.

○Respect diversity

To realize "an environment where everyone can thrive," the HIS Group will work to foster a culture where individuals understand and respect one another, transforming each person's individuality into a strength.

・Percentage of employees who felt the Company values diversity in the employee satisfaction survey (targeting all employees): 60.4%
・Conducted unconscious bias training for employees via e-learning
・Extended marriage leave and congratulatory payments equally to common-law and same-sex partners, equivalent to those granted for legal marriages

○Promote health management

The HIS Group will spread smiles around the world and promote people's health and peace through the provision of exciting value. The Group considers employee health to be a fundamental foundation to achieve this mission.

In 2024, the Group established the Wellness Promotion Office, a department specializing in health management initiatives, to maintain and improve employee health. By utilizing various indicators, aiming to improve the work environment, and collaborating with health insurance associations and occupational physicians, the Group will continue to promote health management.

・Announcement of the Health Management Declaration
・Encouraging employees to take paid leave (long-term leave system, anniversary leave system, etc.)
・Health examinations: Improvement of participation rates in secondary health check-ups
・Improvement of participation rates in stress check-ups
・Establishment of a health consultation desk for employees
・Introduction of an accumulated paid leave system (allowing employees to accumulate expired annual paid leave for use during personal illness or injury, infertility treatment, or bone marrow donor procedures)
・Implementation of a special leave system for employees with long service

○Promote diverse working styles

The HIS Group has introduced various systems to accommodate diverse lifestyles and values. Going forward, it aims to optimize work styles to suit the diversity of roles and will consider further expansion of these systems.

・Flextime system
・Remote work and remote travel consultant system
・Side job system
・Shortened working hours for childcare and shortened hours/days system for re-employment after retirement
・Re-entry system for former employees
・Leave system for accompanying family members on overseas assignments

○Foster understanding and widespread adoption of the HIS Group Philosophy

The HIS Group will create opportunities for individuals to deepen their understanding of and identification with the HIS Group Philosophy—which consists of the Purpose, values, Code of Conduct, and founding spirit—as well as the unique identity of the Group. Through these efforts, individuals can discover alignment between the HIS Group Philosophy and their own personal values and aspirations.

・Translation of the HIS Group Philosophy Handbook into multiple languages and implementation of training for staff worldwide

○Support autonomous career development and create diverse growth opportunities

The HIS Group will establish a system that allows individuals to develop their own career autonomously.

・Annual implementation of a self-reporting system for career planning
・Provision of career design training in which employees examine their strengths and ideal future paths
・Promotion (expansion) of diverse training programs in tandem with business growth

3. Risk Management

Within the HIS Group, the Sustainability Committee and the Risk / Compliance Committee collaborate to identify, evaluate, and manage climate-related risks. The Risk Management Room collects information on business risks for the Group as a whole, including risks related to climate change, and shares its findings with the Risk / Compliance Committee. The Committee develops a management system for identifying, analyzing, evaluating, and responding to potential risks, and conducts activities to prevent risks from materializing. The Sustainability Committee identifies risks associated with climate change, conducts analysis in accordance with the TCFD recommendation framework, and formulates strategies. It also discusses important environmental policies and measures, monitors and tracks progress against targets, and reports to the Board of Directors as appropriate.

4. Indicators and Targets

(1) Climate change

The HIS Group identifies "preservation of the global environment" as one of its material issues and takes initiatives to address climate change. In the fiscal year ended October 31, 2024, the Group introduced a CO_2 emissions calculation system and, based on the Greenhouse Gas (GHG) Protocol, calculated Scope 1 and Scope 2 emissions for major domestic Group companies, as well as Scope 3 emissions for the Company. During the fiscal year ending October 31, 2025, the Company plans to disclose its GHG emissions reduction targets. It will actively work to reduce its own emissions and promote joint reduction initiatives with business partners, contributing to environmental sustainability.

For the latest updates on these initiatives, please visit the following website.
https://www.his.co.jp/en/sustainability/environment/

CO_2 emissions

・Scope 1 and 2 (major domestic Group companies)

($t\text{-}CO_2$)

	Results for the year ended October 31, 2024	
	Scope 1	Scope 2
H.I.S. Co., Ltd.	8	1,665
H.I.S. Hotel Holdings Co., Ltd.	2,599	6,489
12 Kyushu Sanko Group companies *1	98,710	7,180

*1. The 12 companies in the Kyushu Sanko Group are KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Kyushu Sanko Landmark Co., Ltd., Kyushu Sanko Retail Co., Ltd., Sanko Bus Co., Ltd., Kumamoto Ferry Co., Ltd., Kyushu Sanko Auto Service Co., Ltd., KASSE JAPAN Co., Ltd., Kyushu Sanko Planning Co., Ltd., Kyushu BM Service Co., Ltd., and Taniguchi Auto Ltd. The figures provided correspond to these companies.

・Scope 3 (H.I.S. Co., Ltd.)

In the Company's business activities, Scope 3 emissions were calculated for all applicable categories (Categories 1–7, 11, and 13). As a result, Scope 3 emissions for the fiscal year ended October 31, 2024 totaled 1,148,478 $t\text{-}CO_2$, accounting for 99.9% of the Company's total Scope 1–3 emissions. Furthermore, 98.6% of Scope 3 emissions were attributable to Category 11 (use of sold products), with 75.5% of Category 11 emissions attributable to jet fuel consumption related to domestic and international air travel.

Initiatives to reduce emissions

・Scope 1 and 2

At the Company, Scope 2 accounts for a substantial 99.4% of Scope 1 and 2 emissions, primarily due to electricity usage at offices. The Company is striving to reduce electricity consumption. However, because many of its offices are located in rented properties where the choice of electricity provider is limited, it plans to promote virtual renewable energy sourcing through the use of non-fossil certificates. H.I.S. Hotel Holdings Co., Ltd. conducted a test installation of the POWER GUARD power loss reduction solution at one of its hotels, achieving a reduction in electricity consumption of approximately 10%. The subsidiary plans to expand the number of hotels equipped with this system going forward. At the Kyushu Sanko Group, the bus business is promoting eco-driving by introducing start-stop systems to reduce engine idling and utilizing digital tachographs to encourage more efficient driving. In addition, at SAKURA MACHI Kumamoto building, operated by Kyushu Sanko Landmark Co., Ltd. and Kyushu BM Service Co., Ltd., efforts are underway to reduce CO_2 emissions by using groundwater as a cooling medium in the cooling tower system to suppress heat radiation.

・Scope 3

Scope 3 accounts for 99.9% of the Company's total emissions. To reduce emissions in Category 11, the Company is promoting reduction initiatives through collaboration with business partners, investment in new decarbonization services, and the provision of information and decarbonization plans to customers. Examples of such initiatives include investment in the United Airlines Ventures Sustainable Flight Fund, which focuses on the research and development of sustainable aviation fuel (SAF), as well as the introduction of electric vehicles (EVs) at hotels on Kume Island and Miyako Island in Okinawa Prefecture, and for sightseeing tours in Bangkok, Thailand, and Ho Chi Minh City, Vietnam, contributing to emissions reductions.

For the reduction of Scope 3, Category 1 (purchased goods and services), the Group is conducting initiatives to achieve a 70% reduction in plastic usage (compared to the fiscal year ended October 31, 2019) and a 70% reduction in copy paper usage (compared to the fiscal year ended October 31, 2019) by the fiscal year ending October 31, 2026. In the fiscal year ended October 31, 2024, although travel demand recovered, the Group discontinued the distribution of plastic bags to tour participants and other measures, successfully maintaining a continued reduction in plastic usage related to travel services.

Results and targets

(Tonnes)

	Results for the year ended October 31, 2019	Results for the year ended October 31, 2024	Targets for the year ending October 31, 2026
Plastic usage	25.4	3.5	6.0
Copy paper usage	325.8	68.2	65.0

For information on specific initiatives, please visit the following website.
https://www.his.co.jp/en/sustainability/environment/attempt/

(2) Human capital

In accordance with the information provided earlier in "2. Strategy," the HIS Group will implement human capital management and promote initiatives to achieve the following goals.

The numerical targets related to the active participation of women and support for work-life balance are published for Group companies that have established such targets pursuant to the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" and the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members."

Ratio of female employees in management positions

	Results for the year ended October 31, 2024	Targets for the year ending October 31, 2026	Targets for the year ending October 31, 2030
H.I.S. Co., Ltd.	17.5%	20.0%	30.0%
H.I.S. Hotel Holdings Co., Ltd. *1	0.0%	20.0%	30.0%
Five Kyushu Sanko Group companies *1, *2	13.3%	14.5%	15.7%
Laguna Ten Bosch Co., Ltd. *3	0.0%	10.0%	20.0%

*1. H.I.S. Hotel Holdings Co., Ltd. and five companies within the Kyushu Sanko Group have revised their targets following changes to their internal definitions of management positions in line with the definitions established by the Ministry of Health, Labour and Welfare.

*2. The figures provided for the five Kyushu Sanko Group companies apply to Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Retail Co., Ltd., and Kyushu Sanko Auto Service Co., Ltd.

*3. At Laguna Ten Bosch Co., Ltd., the ratio of women in management positions is currently 0.0% due to the small number of eligible employees at the manager level. However, at the assistant manager level, the ratio stands at 42.9%.

Ratio of female officers

	Results for the year ended October 31, 2024	Targets for the year ending October 31, 2026	Targets for the year ending October 31, 2030
H.I.S. Co., Ltd.	18.2%	20.0%	30.0%
H.I.S. Hotel Holdings Co., Ltd.	25.0%	25.0%	40.0%
Five Kyushu Sanko Group companies*	7.7%	7.7%	15.4%
Laguna Ten Bosch Co., Ltd.	15.0%	20.0%	30.0%

* The figures provided for the five Kyushu Sanko Group companies apply to Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Retail Co., Ltd., and Kyushu Sanko Auto Service Co., Ltd.

Ratio of male employees taking childcare leave

	Results for the year ended October 31, 2024	Targets for the year ending October 31, 2026	Targets for the year ending October 31, 2030
H.I.S. Co., Ltd.	70.0%	80.0%	100.0%
H.I.S. Hotel Holdings Co., Ltd.	100.0%	100.0%	100.0%
Five Kyushu Sanko Group companies*	30.0%	40.0%	50.0%
Laguna Ten Bosch Co., Ltd.	100.0%	50.0%	70.0%

* The figures provided for the five Kyushu Sanko Group companies apply to Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Retail Co., Ltd., and Kyushu Sanko Auto Service Co., Ltd.

Engagement indicator

	Result for the year ended October 31, 2024	Target for the year ending October 31, 2026
Job satisfaction index*	65.1%	80.0%

* Percentage of employees who responded "the Company offers a rewarding work environment" in an employee satisfaction survey.

Other indicators (initiatives undertaken by the Company)

	Results for the year ended October 31, 2024	Targets for the year ending October 31, 2026
Average paid leave utilization rate	68.2%	75.0%
Health examination: secondary health check-up participation rate	45.0%	70.0%
Stress check-up participation rate	64.6%	70.0%

Indicator related to overseas affiliated companies

	Result for the year ended October 31, 2024	Target for the year ending October 31, 2026
Ratio of non-Japanese managers	59.0%	65.0%

For information on specific initiatives, please visit the following website.
https://www.his.co.jp/en/sustainability/social/deib/

3. Business and Other Risks

Among matters related to the status of the HIS Group's business, financial condition, and other areas, management recognizes the following major risks that may have a significant impact on the financial condition, operating results, and cash flows of the consolidated companies, as well as on business continuity.

All matters relating to the future in the sections below are based on the views of the HIS Group as of October 31, 2024.

1) Changes in economic and social conditions

The HIS Group's businesses are subject to various influences, including political and economic trends, legal systems, and geopolitical factors in various countries. While the Group responds by making maximum use of its internal expertise and accumulated information, these factors may undergo significant changes for reasons beyond the Group's control, and such changes may have an impact on the Group's financial condition, operating results, and related aspects.

2) Market changes

The Travel business accounts for 82.7% of Group net sales, and 77.6% of net sales are concentrated in Japan. Consequently, changes in the environment surrounding the Travel business in Japan could affect the Group's financial condition, operating results, and related aspects. Furthermore, although the Group works to ensure sustainable competitiveness, its businesses face intense competition from other companies, prompted by such factors as business model changes of partner companies and market entries by companies from other industries. Future developments in the competitive landscape may therefore affect the Group's financial condition, operating results, and related aspects.

3) Safety management and quality control of provided services

The HIS Group has established the HIS Quality and Safety Control Guidelines to provide customers with safe, secure, and high-quality travel offerings, enabling them to enjoy their travels both in Japan and overseas. These guidelines are shared with overseas HIS branches and business partners in an effort to ensure thorough quality control and safety management. When handling vehicles, optional tours, and other offerings, the Group conducts on-site inspections as necessary and selects subcontractors following careful examination. However, if transportation providers or other subcontractors cause accidents, violate laws, or engage in other misconduct, the Group may be held responsible for their selection, risking loss of social credibility, potential claims for damages, or penalties under the Travel Agency Act, which could in turn affect its financial condition and operating results.

4) Service interruptions and quality deterioration due to factors such as system or equipment failures

The HIS Group utilizes computer systems and strives to ensure adequate security in their construction and operation. However, if major incidents such as system failures, information leaks, or data tampering occur due to network malfunctions, program defects, or computer virus infections, there is a risk that business operations may be significantly disrupted. In addition, depending on the scale of a system failure, services to customers may be interrupted or repair costs may increase, which could affect the Group's financial condition, operating results, and public trust. Furthermore, if the Group fails to keep pace with future technological innovations, it may experience a decline in competitiveness or a loss of business opportunities, which could in turn affect its financial condition and operating results.

5) Talent development and retention

In line with Vision 2030 (“Be the preferred company of choice, full of enterprising spirit and bringing the world together: Change & Create”), the HIS Group is committed to developing human resources who have ambitious dreams and goals, think freely without being constrained by conventional ideas, and take on new challenges without fear of failure. The development and retention of outstanding talent are essential for corporate growth. If these efforts are hindered by factors such as labor market conditions and do not progress as planned, it may impede competition with other companies and business operations, and could potentially affect the Group’s business performance, financial condition, and operating results.

6) Climate change and environmental regulations

In the business environment surrounding the HIS Group, there is a possibility that business operations may be affected by climate change and stricter environmental regulations. In particular, the occurrence of natural disasters may affect tourism and infrastructure, and the outbreak of infectious diseases, as well as events such as aviation accidents, terrorism, or war, could affect the Group’s financial condition, operating results, and related aspects.

For details regarding climate change-related risks, please refer to “2. Strategy (1) Climate change” in “2. Views and Initiatives related to Sustainability” under “II. Business Overview, Part I Information on the Company.”

7) Governance and compliance

The HIS Group has established guiding principles and a Code of Conduct for employees through resolutions by the Board of Directors. The Group is working to foster widespread understanding of these standards among employees, thereby building a governance structure that contributes to risk prevention. In addition, the Group has established the Basic Policy on Internal Controls, the Basic Plan for Internal Controls, the Internal Controls Implementation Guidelines, and the Regulations on the Management of Affiliates, and strives to maintain and enhance its compliance function through the activities of the Risk / Compliance Committee. However, the Group conducts business activities not only in Japan but also in overseas locations under various laws, regulations, business practices, social norms, and other standards. Although it endeavors to comply with these laws, regulations, business practices, and social norms, there is a possibility that unforeseen new regulations, changes in enforcement authorities’ policies, differences in understanding or interpretation, or other factors could lead to situations that are judged to be compliance violations. If such violations occur, legal response costs and damage to brand image may affect the Group’s financial condition and operating results.

8) Accounting and finance

(1) Exchange rate and crude oil price fluctuations

The HIS Group conducts business in foreign currencies, which results in income and expenses as well as assets and liabilities denominated in foreign currencies. The Group hedges risk through forward exchange contracts and other instruments to mitigate the impact of exchange rate fluctuations. However, sharp fluctuations in exchange rates could affect the Group’s financial condition and operating results. Furthermore, the Group converts the financial statements of overseas consolidated subsidiaries into Japanese yen when preparing the consolidated financial statements, and changes in exchange rates could thus affect the Group’s financial condition and operating results. In addition, the Group adds a fuel surcharge to overseas travel fares in its Travel business to reflect changes in crude oil prices, and a notable rise in this surcharge may dampen overall travel demand. Consequently, sharp changes in crude oil prices could affect the Group’s financial condition and operating results.

(2) Fluctuations in the valuation of owned assets including securities

The HIS Group holds both listed and unlisted stocks, bonds, and other instruments. Hence, losses on the sale or valuation of assets could occur due to fluctuations in stock and bond markets in the case of securities with market value, and due to changes in the financial status of investee companies in the case of securities without market value. These losses could affect the Group’s financial condition and operating results.

(3) Impairment of non-current assets

The HIS Group records property, plant and equipment, intangible assets, stocks, goodwill, and other items arising from investment activities or acquisitions in Japan or abroad as assets on its consolidated balance sheet, and depreciates or amortizes these assets over reasonable periods during which future synergies from business value and business integration are expected to manifest. However, if the Group determines that expected effects cannot be realized, it books impairment losses for the relevant assets, which could affect the Group’s financial condition and operating results.

Recognizing the risks above, the HIS Group will work to mitigate them by implementing appropriate countermeasures. In addition, the Group will review risks associated with changes in social conditions and markets and respond as necessary.

4. Analysis of Financial Position, Business Results, and Cash Flows

The following is an overview, management perspective, analysis, and examination of the financial position, business results, and cash flows of the HIS Group in the consolidated fiscal year ended October 31, 2024.

(1) Business results

In the fiscal year under review, the impact of factors such as the situation in the Middle East, a slowdown in overseas economies, inflation, and fluctuations in financial and capital markets warranted caution. However, a gradual recovery is expected to continue, supported by improvements in employment and income conditions and the effects of various policies.

In the travel sector, the inbound travel market remained strong, buoyed by the tailwind of the weaker yen, with the number of inbound travelers to Japan exceeding the same month in 2019 for nine consecutive months. In the fiscal year under review, the number of inbound travelers to Japan rose 10.5% above the 2019 level to 35.36 million. The number of outbound travelers from Japan showed a gradual recovery, but remained 37.0% below the 2019 level at 12.61 million, due to economic factors such as the weaker yen, soaring fuel charges, rising local prices, as well as unstable international conditions. (Source: Japan National Tourism Organization [JNTO]).

In the fiscal year under review, business performance was as follows.

(Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Net sales	252,205	343,334
Gross profit	83,077	110,617
Operating profit	1,635	10,854
Profit (loss) before income taxes	(1,282)	8,526
Profit (loss) attributable to owners of parent	(2,628)	8,717

Net sales increased 91,128 million yen or 36.1% year on year to 343,334 million yen. All segments recorded double-digit growth year on year and performed strongly, with particularly robust growth in the Travel business and the Hotel business, supported by the recovery in travel demand. Selling, general and administrative expenses increased 18,320 million yen or 22.5% year on year to 99,762 million yen, mainly due to higher personnel expenses associated with improvements in employee compensation and the resumption of recruitment activities, as well as increases in advertising and commission expenses following the full-scale resumption of sales activities. Operating profit grew 9,219 million yen or 563.8% year on year to 10,854 million yen, driven by growth in gross profit from higher net sales and the effects of cost control measures such as business consolidation. In addition, the HIS Group recorded 1,101 million yen in extraordinary income from the sale of fixed assets such as land, while also recording 3,026 million yen in extraordinary losses, including losses on the valuation of shares of subsidiaries and associates such as FLY HUB TRAVEL PTE. LTD., a non-consolidated subsidiary. As a result, profit before income taxes totaled 8,526 million yen (versus loss before income taxes of 1,282 million yen in the previous fiscal year). Due to a 1,729 million yen year-on-year decrease in income taxes and the recording of 899 million yen in profit attributable to non-controlling interests, profit attributable to owners of parent amounted to 8,717 million yen (versus loss attributable to owners of parent of 2,628 million yen in the previous fiscal year).

The earnings by segment for the fiscal year under review are shown below. Effective from the first quarter of the fiscal year under review, the Group has changed its reporting segments from the previous four segments—Travel business, Theme Park business, Hotel business, and Kyushu Sanko Group—to three segments: Travel business, Hotel business, and Kyushu Sanko Group. Accordingly, Laguna Ten Bosch Co., Ltd. has been reclassified from the Theme Park business to Other. As a result, for comparison purposes, the Group has restated the figures for the previous fiscal year to reflect the new segment classification. For details, please refer to “Segment information, etc.” in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information.” Figures for each segment reflect the amounts before offsetting and eliminating intersegment transactions.

(Travel business) (Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Net sales	202,348	283,972
Operating profit	1,145	9,302
EBITDA	5,197	13,476

In the overseas travel business, the HIS Group launched campaigns to stimulate demand for overseas travel, beginning with Hatsuyume Fair 2024 (New Year sale) and followed by SUPER SUMMER SALE! 2024, and worked to strengthen customer acquisition ahead of each busy season. To promote tourism, the Group strengthened collaboration with organizations such as the Saudi Tourism Authority, Tourism Australia, Vietnam Airlines, Tourism New Zealand and Air New Zealand, and the Guam Visitors Bureau, focusing on promoting new tourism efforts and boosting outbound travel. The Group also relocated and renewed its flagship store as Travel Wonderland Shinjuku, creating an experience-driven location designed not only for travel reservations, but also as a real-world space where customers can encounter and engage with travel. By destination, conductorled tours to Europe grew, supporting higher transaction volumes through the strong sales of high-value products. In addition, South Korea showed stable growth, supported by increased flight availability and relatively limited impact from currency fluctuations. As a result, reservations during the busy summer season remained strong, driving the performance of the Travel business in the second half of the fiscal year.

In the domestic travel business, a gradual recovery was observed despite a decline caused by the absence of the boost provided by the National Travel Support initiative in the previous fiscal year. In particular, the Group strengthened customer acquisition efforts for Okinawa, which is a key focus area, as well as for package tours to Hokkaido utilizing direct charter flights operated by Fuji Dream Airlines (FDA) from five major cities nationwide. In addition, new product lines strengthened during the COVID-19 pandemic—such as dynamic packages that combine airline tickets and hotel accommodations—achieved strong growth and performed well.

In the corporate business, orders increased for corporate travel such as employee trips, training trips, and incentive trips. In addition, the Group formed a capital alliance with Satoyume Co., Ltd., a local business incubator, and launched the Destination Create Project to develop new destinations across Japan. As part of this project, the Group concluded agreements with three local governments—Shiiba Village in Miyazaki Prefecture, Kuma Village in Kumamoto Prefecture, and Tokushima Prefecture—with the aim of strengthening its regional revitalization business. In the HIS FOOD PROJECT, which supports the overseas expansion of Japanese food products, the Group—following its efforts to open overseas sales channels for tea in collaboration with Mie Prefecture—began exporting rice to Japanese restaurants in the Middle East, mainly in Dubai.

In the inbound travel business, customer arrivals handled by HIS’s overseas subsidiaries and B2B group travel operations were robust, with the number of customers from the North American market reaching an all-time high, driving transaction volume. In individual travel offerings, day-trip bus tours departing from the Kanto region to Mt. Fuji and from the Kansai region to Hiroshima and Miyajima were highly popular. In addition, the Group worked to expand its product lineup by introducing timely and trending offerings, such as a walking tour package that includes a meal at Seafood Buffet Iroha, the seafood buffet restaurant operated by the Group inside Toyosu Senkyaku Banrai complex—a newly opened tourist attraction.

In the overseas travel business, the recovery in outbound travel demand from Japan contributed to strong performance in inbound operations, driving earnings in the Travel business in the first half of the fiscal year under review. As a new initiative, the Group opened a base in Bolivia—home to the popular tourist destination Salar de Uyuni—in June and began handling travelers not only from Japan but also from around the world. In addition, at the Shared Services Center established in Manila, the Group expanded the consolidation of reservation and related operations for its overseas travel business to 20 countries and regions, aiming to build a foundation for the global deployment of HIS travel offerings and to improve operational efficiency. These efforts helped restore profitability even in Hawaii and Guam, where Japanese inbound travel had been slow to recover. In the outbound travel business, transaction volume expanded due to increased travel demand among local expatriates. In Canada, growth in the number of reservations drove transaction volume, despite demand being concentrated on short-distance, low-cost destinations.

The number of Group sales offices stood at 146 in Japan and 145 overseas (110 cities across 58 countries) as of October 31, 2024.

(Hotel business) (Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Net sales	17,937	22,989
Operating profit	577	3,047
EBITDA	4,700	7,119

In the Hotel business, the recovery of tourism demand in various countries further revitalized the accommodation market. In Japan, hotels continued to record higher average daily room rates and high occupancy rates, particularly in areas such as Asakusa Tawaramachi, Maihama, and Kyoto. This strong performance was supported not only by the sustained increase in inbound travelers, but also by the implementation of a wide range of differentiation strategies, including collaborations with airlines, railway companies, and local businesses. Ahead of the summer peak season, the HIS Group carried out major renovation work at Resort Hotel Kume Island, and the hotel held its grand reopening on July 12. Overseas, hotel operations generally remained steady, with properties such as Green World Hotel in Taiwan and Henn na Hotel Seoul Myeongdong in South Korea driving sales and profit by maintaining high average daily room rates. In the Hotel business as a whole, efforts to strengthen revenue management and the continuation of meticulous cost-saving measures prioritized during the COVID-19 pandemic contributed to profit generation.

(Kyushu Sanko Group) (Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Net sales	21,676	23,985
Operating profit	58	434
EBITDA	1,791	2,178

In the Kyushu Sanko Group, the recovery in the flow of people due to the sharp increase in inbound demand, along with business expansion driven by the effects of TSMC’s entry into the region, drove strong earnings in the bus, airline agency, and consulting businesses. In the core bus business, although costs increased due to vehicle repairs, bus-related expenses, and personnel costs, net sales from fixed-route bus operations were strong, rising 10.6% versus the 2019 level and 13.7% year on year, supported by an increase in inbound travelers and domestic tourists. In addition, all operations—including highway buses and chartered buses—recorded growth in net sales and gross profit. Combined with cost reductions in areas such as utilities and lease expenses, this contributed to higher net sales and profit. In the airline agency business, factors such as the deployment of larger aircraft to accommodate increased passenger numbers and the increase in flights by STARLUX Airlines, for which the Group provides ground handling services, contributed to higher net sales and profit.

(2) Cash flows

The amount of cash and cash equivalents (hereinafter, "funds") at the end of the consolidated fiscal year ended October 31, 2024 was 132,217 million yen, an increase of 21,380 million yen compared to the end of the previous fiscal year. Operating activities increased funds by 29,247 million yen, investing activities increased funds by 45,606 million yen, and financing activities decreased funds by 55,158 million yen.

The status of each cash flow item is presented in detail below.

(Cash flows from operating activities)

Funds from operating activities increased 29,247 million yen in the fiscal year under review. This mainly reflected a decrease in funds from interest payments (2,578 million yen) and an increase in travel advance payments (2,338 million yen), offset by an increase in funds from the booking of profit before income taxes (8,526 million yen), depreciation (11,017 million yen), which is a non-cash item, an increase in travel advances received (6,991 million yen), an increase in provision for bonuses (1,762 million yen), and an increase in trade payables (1,609 million yen).

In the previous fiscal year, funds from operating activities increased 30,934 million yen. This was mainly due to a decrease in funds from the booking of a loss before income taxes (1,282 million yen) and an increase in trade receivables and contract assets (13,016 million yen), offset by an increase in funds from depreciation (10,463 million yen), which is a non-cash item, an increase in trade payables (3,698 million yen), an increase in travel advances received (14,856 million yen), and an increase in other liabilities including deposits received (14,819 million yen).

As a result, in the fiscal year under review, cash flows from operating activities decreased 1,686 million yen compared to the previous fiscal year.

(Cash flows from investing activities)

Funds from investing activities increased 45,606 million yen in the fiscal year under review. This mainly reflected a decrease in funds from payments into time deposits (16,689 million yen) and purchases of securities (10,155 million yen), offset by an increase in funds from proceeds from the withdrawal of time deposits (57,956 million yen), proceeds from the collection of guarantee deposits (12,839 million yen), and proceeds from the redemption of securities (10,161 million yen).

In the previous fiscal year, funds from investing activities decreased 46,252 million yen. This mainly reflected an increase in funds from proceeds from the withdrawal of time deposits (12,711 million yen), offset by a decrease in funds from payments into time deposits (50,556 million yen), purchases of property, plant and equipment and intangible assets (6,345 million yen), and purchases of shares of subsidiaries resulting in a change in the scope of consolidation (1,772 million yen).

As a result, in the fiscal year under review, cash flows from investing activities increased 91,859 million yen compared to the previous fiscal year.

(Cash flows from financing activities)

Funds from financing activities decreased 55,158 million yen in the fiscal year under review. This mainly reflected an increase in funds from proceeds from long- and short-term borrowings (156,029 million yen), offset by a decrease in funds from repayments of long- and short-term borrowings (193,683 million yen) and the redemption of bonds (15,000 million yen).

In the previous fiscal year, funds from financing activities decreased 11,785 million yen. This mainly reflected an increase in funds from proceeds from long- and short-term borrowings (162,277 million yen), offset by a decrease in funds from repayments of long- and short-term borrowings (172,476 million yen).

As a result, in the fiscal year under review, cash flows from financing activities decreased 43,373 million yen compared to the previous fiscal year.

(3) Production, orders received, and sales

1) Purchasing

Purchasing by segment during the fiscal year under review is as follows.

Segment	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024) (millions of yen)	Year-on-year change (%)
Travel business	193,971	+42.7%
Hotel business	8,187	+27.0%
Kyushu Sanko Group	21,509	+7.9%
Reportable segment total	223,669	+37.8%
Other	9,047	+33.0%
Total	232,716	+37.6%

(Notes) 1. Intersegment transactions have been eliminated.

2. The businesses of the HIS Group are not operated based on production; therefore, information on purchasing is provided instead of production data.

3. As stated in "Segment information, etc." in the "Notes to Consolidated Financial Statements" in "(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc." under "V. Financial Information," the Group has reclassified its reportable segments, beginning the consolidated fiscal year ended October 31, 2024. Accordingly, the percentages shown under "Year-on-year change (%)" have been calculated based on the revised reportable segments.

2) Orders received

Information on orders received has been omitted as the HIS Group's businesses are not operated based on orders received.

3) Sales

Sales by segment during the fiscal year under review are as follows.

Segment	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024) (millions of yen)	Year-on-year change (%)
Travel business	282,696	+40.5%
Hotel business	22,526	+28.3%
Kyushu Sanko Group	23,972	+10.7%
Reportable segment total	329,195	+36.9%
Other	14,138	+20.4%
Total	343,333	+36.1%

(Notes) 1. Intersegment transactions have been eliminated.

2. The HIS Group calculates total transaction value (selling price) as net sales.

3. As stated in "Segment information, etc." in the "Notes to Consolidated Financial Statements" in "(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc." under "V. Financial Information," the Group has reclassified its reportable segments, beginning the consolidated fiscal year ended October 31, 2024. Accordingly, the percentages shown under "Year-on-year change (%)" have been calculated based on the revised reportable segments.

(4) Analysis of financial position, operating results, and cash flows

The analysis of financial position, operating results, and cash flows during the fiscal year under review is as follows. All matters relating to the future in the sections below are based on the current views of the Group as of October 31, 2024.

1) Analysis of financial position

(i) Current assets

The balance of current assets at the end of the fiscal year under review was 202,316 million yen, a decrease of 15,131 million yen from the end of the previous fiscal year.

This was mainly due to an increase in travel advance payments (up 2,499 million yen from the end of the previous fiscal year), offset by a decrease in cash and deposits (down 19,426 million yen).

(ii) Non-current assets

The balance of non-current assets at the end of the fiscal year under review was 209,825 million yen, a decrease of 13,596 million yen from the end of the previous fiscal year.

This mainly reflected an increase in long-term loans receivable from subsidiaries and associates (up 862 million yen from the end of the previous fiscal year), offset by a decrease in guarantee deposits (down 11,711 million yen) and a decrease in property, plant and equipment (down 3,577 million yen).

(iii) Current liabilities

The balance of current liabilities at the end of the fiscal year under review was 228,175 million yen, an increase of 17,526 million yen from the end of the previous fiscal year.

This mainly reflected a decrease in the current portion of bonds payable (down 15,000 million yen from the end of the previous fiscal year), offset by an increase in the current portion of convertible-bond-type bonds with share acquisition rights (up 25,000 million yen) and an increase in travel advances received (up 7,429 million yen).

(iv) Non-current liabilities

The balance of non-current liabilities at the end of the fiscal year under review was 121,681 million yen, a decrease of 58,890 million yen from the end of the previous fiscal year.

This was mainly due to a decrease in long-term borrowings (down 31,833 million yen from the end of the previous fiscal year) and a decrease in convertible-bond-type bonds with share acquisition rights (down 25,018 million yen).

(v) Net assets

The balance of net assets at the end of the fiscal year under review was 62,343 million yen, an increase of 12,602 million yen from the end of the previous fiscal year.

This mainly reflected an increase in retained earnings due to the booking of profit attributable to owners of parent (up 8,711 million yen from the end of the previous fiscal year) and other factors, as well as an increase in foreign currency translation adjustment (up 2,583 million yen).

2) Analysis of operating results

(i) Net sales

Net sales in the fiscal year under review were 343,334 million yen, an increase of 91,128 million yen (up 36.1%) from the previous fiscal year. By reportable segment, net sales were 283,972 million yen (up 40.3%) in the Travel business, 22,989 million yen (up 28.2%) in the Hotel business, and 23,985 million yen (up 10.7%) in the Kyushu Sanko Group.

Effective from the beginning of the fiscal year under review, the HIS Group has changed its reporting segments from the previous four segments—Travel business, Theme Park business, Hotel business, and Kyushu Sanko Group—to three segments: Travel business, Hotel business, and Kyushu Sanko Group. As a result, for comparison purposes, the Group has restated the figures for the previous fiscal year to reflect the new segment classification. For details, please refer to “Segment information, etc.” in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information.” Figures for each segment reflect the amounts before offsetting and eliminating intersegment transactions.

(ii) Operating expenses

Operating expenses in the fiscal year under review were 332,479 million yen, an increase of 81,908 million yen (up 32.7%) from the previous fiscal year.

Within operating expenses, cost of sales was 232,716 million yen, an increase of 63,588 million yen (up 37.6%) from the previous fiscal year.

Selling, general and administrative expenses were 99,762 million yen, an increase of 18,320 million yen (up 22.5%) from the previous fiscal year.

(iii) Operating profit

Operating profit in the fiscal year under review was 10,854 million yen, an increase of 9,219 million yen (up 563.8%) from the previous fiscal year.

(iv) Ordinary profit

Ordinary profit in the fiscal year under review was 10,451 million yen, an increase of 8,805 million yen (up 534.7%) from the previous fiscal year.

The principal non-operating income item was interest income (1,336 million yen), while non-operating expenses mainly consisted of interest expenses (2,472 million yen).

(v) Profit (loss) attributable to owners of parent

Profit before income taxes in the fiscal year under review was 8,526 million yen (versus loss before income taxes of 1,282 million yen in the previous fiscal year), representing a turnaround of 9,808 million yen from the previous fiscal year.

Total income taxes in the fiscal year under review amounted to -1,090 million yen (versus 638 million yen in the previous fiscal year), a decrease of 1,729 million yen from the previous fiscal year.

As a result, profit attributable to owners of parent in the fiscal year under review was 8,717 million yen (versus loss attributable to owners of parent of 2,628 million yen in the previous fiscal year), representing a turnaround of 11,345 million yen from the previous fiscal year.

3) Analysis of cash flows and capital resources and liquidity of funds

For an analysis of cash flows, please refer to “(2) Cash Flows” in “4. Analysis of Financial Position, Business Results, and Cash Flows” under “II. Business Overview, Part I Information on the Company.”

The HIS Group mainly needs funding for working capital and capital expenditures. It secures funding for working capital through loans from financial institutions, and for capital expenditures through a combination of loans from financial institutions, the issuance of bonds and convertible-bond-type bonds with share acquisition rights, and capital increases.

4) Significant accounting estimates and underlying assumptions

The consolidated financial statements of the HIS Group are prepared in conformity with accounting standards that are generally accepted in Japan. In preparing the consolidated financial statements, the Group has used estimates that may affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates have been reasonably determined while taking into account historical performance and other factors. However, actual results may differ due to the uncertainties inherent in estimates.

Significant accounting estimates and underlying assumptions, as well as the assumptions underlying significant accounting estimates in relation to the COVID-19 pandemic are described in “Significant accounting estimates” in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information.”

5. Material Business Agreements, etc.

The Company received approval to become a certified International Air Transport Association (IATA) passenger sales agent on December 31, 1990 (which remains in effect until revoked), and has entered into a passenger sales agency agreement.

(Note) About the International Air Transport Association (IATA)

Founded in 1945, this private institution is an affiliation mainly of airlines engaged in international flights. Headquarters are in Montreal, Canada, and Geneva, Switzerland. Determination of various measures associated with IATA certified agents and settlement of accounts is done in Geneva. The authority of IATA comprises determination of fares, conditions on transport, agency measures, and other flight-related rules as well as fare settlements. An approval as a certified IATA sales agent allows travel agents to issue international flight tickets in-house.

6. Research and Development Activities

There are no applicable matters to report.

III. Equipment and Facilities

1. Capital Expenditures

In the Travel business, the HIS Group works to expand its sales network while saving labor and streamlining operations. The Group also makes investments to improve profitability. Furthermore, the Group prioritizes investments in the Hotel business and the Kyushu Sanko Group, which are expected to grow over the long term.

The breakdown of capital expenditures during the fiscal year under review (based on the amounts recorded as property, plant and equipment, guarantee deposits, hardware, and software) is as follows.

Segment	Capital expenditures (millions of yen)
Travel business	5,252
Hotel business	2,990
Kyushu Sanko Group	1,118
Reportable segment total	9,361
Other	886
Corporate-wide (shared)	55
Total	10,303

Amounts and purposes of major investments included in the above are as follows.

Travel business:	Relocation and renovation of branches and offices (2,268 million yen), development and improvement of travel reservation systems (2,684 million yen), etc.
Hotel business:	Increase in leased assets and related items associated with the renewal of lease contracts at Green World Hotels Co., Ltd. in Taiwan (999 million yen), construction of a hotel in Turkey (989 million yen), etc.
Kyushu Sanko Group:	Purchase of vehicles and related equipment (640 million yen), etc.
Other:	Investments in park facilities at Laguna Ten Bosch Co., Ltd. (228 million yen), development and improvement of systems at SYS Inc. (194 million yen), etc.
Corporate-wide (shared):	Investments and other spending related to the replacement of computers

2. Principal Facilities

The Group's principal facilities are as follows.

(1) The filing company

Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings	Tools, furniture and fixtures	Land (thousand m^2)	Leased assets	Construction in progress	Guarantee deposits	Other	Total	
Headquarters and offices (Minato-ku, Tokyo, etc.)	Travel business	Branch facilities; reservation systems	1,273	355	― (―)	―	21	1,992	2,610	6,253	3,812 (472)
Headquarters (Minato-ku, Tokyo)	Other	Branch facilities; real estate	677	45	469 (2)	―	―	23	25	1,242	36 (74)
Headquarters (Minato-ku, Tokyo)	Corporate-wide (shared)	Office facilities; software	7,957	28	24,445 (1)	498	―	1	3	32,934	293 (12)

(Notes) 1. Of the book value, "Other" comprises vehicles, structures, artworks, and software.

2. The number of temporary employees stated in parentheses refer to the annual average number of temporary workers, which is not included in the number of employees.

3. Of leased facilities, leasing fees incurred during the fiscal year under review was 2,234 million yen.

(2) Domestic subsidiaries

Company name Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings	Tools, furniture and fixtures	Land (thousand m^2)	Leased assets	Construction in progress	Guarantee deposits	Other	Total	
H.I.S. Hotel Holdings Co., Ltd. (Minato-ku, Tokyo, etc.)	Hotel business	Hotel facilities	25,821	358	20,280 (72)	—	9	863	56	47,390	167 (65)
Aquaignis Taki Hotel Asset Co., Ltd. (Takicho, Taki, Mie Prefecture)	Hotel business	Hotel facilities	5,800	74	— (—)	519	—	—	3	6,398	— (—)
Kyushu Sanko Bus Co., Ltd. (Nishi-ku, Kumamoto, Kumamoto Prefecture)	Kyushu Sanko Group	Business facilities, etc.	683	57	7,291 (122)	1,182	19	10	52	9,297	476 (63)
Kyushu Sanko Landmark Co., Ltd. (Chuo-ku, Kumamoto, Kumamoto Prefecture)	Kyushu Sanko Group	Business facilities, etc.	18,909	103	13,257 (17)	—	87	—	—	32,357	22 (4)

(Notes) 1. Of the book value, "Other" comprises vehicles and software.
2. The number of temporary employees stated in parentheses refer to the annual average number of temporary workers, which is not included in the number of employees.
3. Of leased facilities, leasing fees incurred by domestic subsidiaries during the fiscal year under review was 2,173 million yen.
4. Facility names of domestic subsidiaries are consistent with company names.

(3) Overseas subsidiaries

Company name Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings	Tools, furniture and fixtures	Land (thousand m^2)	Leased assets	Construction in progress	Guarantee deposits	Other	Total	
HHH.USA. INC. (New York City, New York, U.S.A.)	Hotel business	Hotel facilities	5,217	56	3,124 (0)	—	—	—	0	8,399	4 (—)
Green World Hotels Co., Ltd. (Taipei, Taiwan)	Hotel business	Hotel facilities	1,811	48	478 (0)	7,983	64	754	168	11,308	245 (21)

(Notes) 1. Of the book value, "Other" comprises machinery, equipment, and software.
2. The number of temporary employees stated in parentheses refer to the annual average number of temporary workers, which is not included in the number of employees.
3. Of leased facilities, leasing fees incurred by overseas subsidiaries during the fiscal year under review was 1,870 million yen.
4. Facility names of overseas subsidiaries are consistent with company names.

3. Plan for Additions and Disposals of Facilities

There are no plans to newly establish or add major facilities as of October 31, 2024.

IV. Information on the Company

1. Information on the Company's Shares

(1) Total Number of Shares, etc.

1) Total Number of Shares

Class	Total number of shares authorized to be issued
Common stock	150,000,000
Total	150,000,000

2) Number of Shares Issued

Class	Number of shares issued as of end of fiscal year (October 31, 2024)	Number of shares issued as of filing date (March 31, 2025)	Stock exchange on which the Company is listed	Description
Common stock	79,860,936	79,860,936	Prime Market of the Tokyo Stock Exchange	Standard Company shares with no restricted rights; 100 shares constitute one unit.
Total	79,860,936	79,860,936	—	—

(Note) The "Number of shares issued as of filing date" column does not include shares issued through the exercise of share acquisition rights between February 1, 2025 and the filing date of this Annual Securities Report.

(2) Information on Share Acquisition Rights, etc.

1) Details of Stock Option Program

The share acquisition rights issued under Articles 236, 238, and 240 of the Companies Act for the purpose of granting stock options to directors and employees of the Company, as well as to directors and employees of its subsidiaries, are as follows.

Eighth series of share acquisition rights

Resolution date	January 26, 2024
Category and number of grantees	Company directors: 5 Company employees: 1,152 Subsidiary directors: 45 Subsidiary employees: 235
Number of share acquisition rights*	10,990
Class, content, and number of shares subject to share acquisition rights*	Common shares, 1,099,000 (Notes) 1, 2
Amount payable on the exercise of share acquisition rights*	1,941 (Note) 3
Exercise period of share acquisition rights*	From April 1, 2027 to March 31, 2028
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Issue price: 2,496 yen Additional paid-in capital per share: 1,248 yen
Conditions for exercise of share acquisition rights*	(Note) 4
Matters regarding transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall be subject to approval by the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying corporate reorganization*	(Note) 5

* The information above is as of the end of the fiscal year under review (October 31, 2024). The information as of the end of the month preceding the filing date (February 28, 2025) has been omitted as it had not changed from the end of the fiscal year under review.

(Notes)

1. The number of shares to be granted upon exercise of each share acquisition right (hereinafter, the "Number of Shares to be Granted") shall be 100 shares.

2. If, after the date of allotment of the share acquisition rights, the Company conducts a stock split (including a gratis allotment of shares of common stock; the same shall apply to references to stock splits hereinafter) or a stock consolidation with respect to its common stock, the Number of Shares to be Granted for any share acquisition rights not exercised at the time of such stock split or stock consolidation shall be adjusted in accordance with the following formula.

$$\text{Number of Shares to be Granted post-adjustment} = \text{Number of Shares to be Granted pre-adjustment} \times \text{Stock split or consolidation ratio}$$

In addition, if unavoidable circumstances requiring adjustment of the Number of Shares to be Granted arise other than those described above, the Company may adjust the Number of Shares to be Granted as deemed necessary by resolution of the Board of Directors.

Any fractions of less than one share resulting from the above adjustment shall be rounded down.

3. If the Company conducts a stock split or stock consolidation with respect to its common stock, the exercise price shall be adjusted in accordance with the following formula, and any fractions of less than one yen resulting from the adjustment shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Stock split or consolidation ratio}}$$

If, with respect to its common stock, the Company issues new shares or disposes of treasury shares at a price below the market price (excluding cases involving the issuance of new shares or disposal of treasury shares upon exercise of share acquisition rights, or the transfer of treasury shares through share exchange), the exercise price shall be adjusted in accordance with the following formula, and any fractions of less than one yen resulting from the adjustment shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of newly issued shares} \times \text{Amount payable per share}}{\text{Market price per share}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

In the formula above, the "Number of shares already issued" shall mean the total number of issued shares of the Company less the number of treasury shares held by the Company. In the case of a disposal of treasury shares, the "Number of newly issued shares" shall be read as the "Number of disposed shares," and the "Amount payable per share" shall be read as the "Disposal amount per share."

In the event the Company conducts a merger, a company split, or otherwise engages in similar actions requiring adjustment of the exercise price, the exercise price shall be adjusted to the extent necessary and reasonable.

4. The conditions for exercising the share acquisition rights are as follows.
   (1) A person who has been allotted share acquisition rights (hereinafter, the "Rights Holder") must be a director or employee of the Company or one of its subsidiaries at the time of exercising the rights. However, this restriction shall not apply in the case of resignations of directors after their terms have expired, resignations due to appointment as a director, mandatory retirement of employees, transfers based on a company order, or other justifiable reasons as approved by the Board of Directors.
   (2) In the event of the death of a Rights Holder, the rights may not be exercised by the Rights Holder's heir.
   (3) Other conditions shall be as provided in the share acquisition rights allotment agreement concluded between the Company and the Rights Holder.
5. In the event the Company conducts a merger (limited to cases in which the Company is dissolved as a result of the merger), an absorption-type company split or an incorporation-type company split (in each case, limited to cases in which the Company is the splitting company), or a share exchange or share transfer (in each case, limited to cases in which the Company becomes a wholly owned subsidiary) (hereafter all of which are collectively referred to as the "Reorganization"), then, with respect to the holders of share acquisition rights remaining immediately prior to the effective date of such Reorganization (meaning, in the case of an absorption-type merger, the date on which the merger becomes effective; in the case of a consolidation-type merger, the date of incorporation of the newly established merged company; in the case of an absorption-type company split, the date on which the split becomes effective; in the case of an incorporation-type company split, the date of incorporation of the newly established split company; in the case of a share exchange, the date on which the share exchange becomes effective; and in the case of a share transfer, the date of incorporation of the wholly owning parent company established through such share transfer; the same shall apply hereinafter), the share acquisition rights of the stock company listed in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of the remaining share acquisition rights (the "Remaining Share Acquisition Rights") in each respective case. However, such delivery shall be made only if provisions for delivering the share acquisition rights of the Reorganized Company in accordance with the following items are stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.
   (1) Number of share acquisition rights of the Reorganized Company to be delivered
   The number of share acquisition rights of the Reorganized Company to be delivered shall be equal to the number of Remaining Share Acquisition Rights held by each Rights Holder.
   (2) Class of shares of the Reorganized Company subject to the share acquisition rights
   The shares subject to the share acquisition rights shall be common shares of the Reorganized Company.

(3) Number of shares of the Reorganized Company subject to the share acquisition rights
The number of shares of the Reorganized Company subject to the share acquisition rights shall be reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization. Any fractions of less than one share resulting from such adjustment shall be rounded down.
(4) Value of assets to be contributed upon exercise of share acquisition rights
The value of assets to be contributed upon exercise of the share acquisition rights shall be an amount reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization. Any fractions of less than one yen resulting from such adjustment shall be rounded up.
(5) Period during which the share acquisition rights may be exercised
The period during which the share acquisition rights may be exercised shall be from the later of (i) the commencement date of the exercise period as specified in "Exercise period of share acquisition rights" above or (ii) the effective date of the Reorganization, until the expiration date of the exercise period as specified in "Exercise period of share acquisition rights" above.
(6) Matters concerning increase in share capital and legal capital surplus upon issuance of shares through exercise of share acquisition rights
These shall be determined in accordance with the provisions of "Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights" above.
(7) Restrictions on acquisition of share acquisition rights by transfer
The acquisition of share acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Reorganized Company.
(8) Conditions for exercise of share acquisition rights
The conditions for exercise shall be determined in accordance with the provisions of "Conditions for exercise of share acquisition rights" above.
(9) Acquisition clause of share acquisition rights
These shall be determined in accordance with the provisions of "Reasons and conditions for acquisition of share acquisition rights by the Company" below.

Reasons and conditions for acquisition of share acquisition rights by the Company

- If, prior to exercising the rights, a Rights Holder ceases to meet the conditions for exercise of rights as specified in "Conditions for exercise of share acquisition rights" above, the Company may acquire such share acquisition rights without compensation on a separately determined date as resolved by its Board of Directors.
- If any of the following proposals (i), (ii), or (iii) is approved at a General Meeting of Shareholders of the Company (or, if approval at a General Meeting of Shareholders is not required, is approved by the Company's Board of Directors), the Company may acquire the share acquisition rights without compensation on a separately determined date as resolved by its Board of Directors.
  (i) A proposal for approval of a merger agreement under which the Company is to be the dissolving company
  (ii) A proposal for approval of a company split agreement or company split plan under which the Company is to be the splitting company
  (iii) A proposal for approval of a share exchange agreement or share transfer plan under which the Company is to become a wholly owned subsidiary

2) Details of Rights Plans
There are no applicable matters to report.

3) Status of Other Share Acquisition Rights, etc.

Euro-yen denominated convertible-bond-type bonds with share acquisition rights due 2024

Resolution date	October 31, 2017
Number of share acquisition rights*	2,500 units [－]
Of which, number of share acquisition rights held by the Company*	—
Class, content, and number of shares subject to share acquisition rights*	Common shares, 4,574,398 [－] (Note) 1
Amount payable on the exercise of share acquisition rights*	5,465.2 yen (Note) 2
Exercise period of share acquisition rights*	From November 30, 2017 to November 1, 2024 (local time for reception of exercise request) (Note) 3
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Issue price: 5,465.2 yen Additional paid-in capital per share: 2,733 yen (Note) 4
Conditions for exercise of share acquisition rights*	(Note) 5
Matters regarding transfer of share acquisition rights*	Subject share acquisition rights are attached to convertible-bond-type bonds with share acquisition rights and cannot be transferred separately.
Matters regarding grant of share acquisition rights accompanying corporate reorganization*	(Note) 6
Description and value of assets contributed upon exercise of share acquisition rights*	(Note) 7
Balance of bonds with share acquisition rights*	25,000 million yen [－]

* The information above is as of the end of the fiscal year under review (October 31, 2024). For matters that were changed between the end of the fiscal year under review and the end of the month preceding the filing date (February 28, 2025), the information as of the end of the month preceding the filing date is presented in square brackets. For all other matters, there have been no changes since the end of the fiscal year under review. The bonds with share acquisition rights were fully redeemed on November 15, 2024.

(Notes)

1. The number of shares of the Company's common stock to be delivered upon exercise of the share acquisition rights shall be the total of the par value of the bonds pertaining to the exercise request divided by the conversion price as described in (Note) 2 below. However, any fractions of less than one share resulting from the exercise shall be rounded down and no adjustment by cash shall be made.
2. (1) Initially, the conversion price will be 5,616 yen.
   (2) Regarding the conversion price, following the issuance of bonds with share acquisition rights, in the event the Company issues or disposes of shares of its common stock at a payment amount below the market price of the Company's common stock, the conversion price will be adjusted according to the formula below. In the formula below, the "number of shares already issued" means the total number of outstanding common shares of the Company (excluding those owned by the Company).

$$\text{Post-adjustment conversion price} = \text{Pre-adjustment conversion price} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares issued or disposed of} \times \text{Amount payable per share}}{\text{Market price}}}{\text{Number of shares already issued} + \text{Number of shares issued or disposed of}}$$

In addition, in the event the Company implements a stock split or stock consolidation of its common stock, issues share acquisition rights (including those attached to bonds with share acquisition rights) for which issuance of the Company's common stock can be requested at a payment amount below the market price of the Company's common stock, or pays dividends exceeding a certain limit, or upon occurrence of certain other events, the conversion price will be adjusted as appropriate.

3. The period during which share acquisition rights may be exercised shall be November 30, 2017 through November 1, 2024 (local time for reception of exercise request).

However, rights may be exercised (i) up to three business days before the redemption date in Tokyo in the event of early redemption due to a clean-up clause prescribed in the terms of subject bonds, changes in tax regulations, reorganization, delisting of shares, squeeze outs, etc. (this does not apply to share acquisition rights attached to bonds not selected for early redemption in the case of early redemption on changes in tax regulations as prescribed in the terms of subject bonds); (ii) until subject bonds are cancelled, in the event these bonds are purchased and cancelled; (iii) until the loss of the benefit of time, in the event subject bonds lose the benefit of time.

In all of the aforementioned situations, the exercise of subject share acquisition rights will not be possible after November 1, 2024 (local time for reception of exercise request).

Notwithstanding the above, in the event the Company reasonably determines it necessary not to permit the exercise of share acquisition rights in light of conducting a corporate reorganization, the exercise of subject share acquisition rights shall not be permitted during a period designated by the Company, the term of which shall be 30 days or less, and shall end within 14 days from the day following the effective date of the reorganization.

In addition, with regard to the period beginning two business days in Tokyo (or, in the event said date is not a business day in Tokyo, then three business days) preceding the record date determined by the Company, or preceding the date designated for confirmation of shareholders as per Article 151, paragraph (1) of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (hereinafter, “shareholder confirmation date”) and ending on the said shareholder confirmation date (or, in the event the said shareholder confirmation date is not a business day in Tokyo, the next business day in Tokyo), in the event the date on which the exercise of subject share acquisition rights takes effect (or, in the event said date is not a business day in Tokyo, the next business day in Tokyo) falls within such period, the exercise of subject share acquisition rights will not be possible. However, in the event laws or practices related to the issuance of shares pertaining to the exercise of share acquisition rights through transfer systems based on the Act on Book-Entry Transfer of Company Bonds, Shares, etc. are amended, the limitation on the period during which the subject share acquisition rights may be exercised pursuant to this paragraph may be revised by the Company to reflect such changes.

4. The increase in share capital arising from the issuance of shares upon exercise of subject share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting; any fractions less than one yen arising therefrom shall be rounded up to the nearest one yen.

5. (1) Partial exercise of each share acquisition right is not possible.

(2) Until August 15, 2024 (inclusive), if the closing prices of the Company’s common shares over the 20 consecutive Trading Days ending on the last Trading Day (defined below) of any particular quarter (referring to the three-month periods that make up a calendar year; same here below within this item (2)) are each more than 130% of the conversion price in effect on the last Trading Day of such quarter, the holders of subject bonds may exercise the share acquisition rights on or after the first day of the immediately following quarter until the end of such quarter (or, in the case of the quarter starting from July 1, 2024, until August 15, 2024); provided, however, that the conditions for exercise of the share acquisition rights specified in this item (2) shall not apply to the periods set forth in 1), 2), and 3) below.

1) (i) periods during which the Company is assigned an issuer rating of BB+ or lower by the Japan Credit Rating Agency or its successors (hereinafter, “JCR”), (ii) periods during which the Company is no longer assigned an issuer rating by JCR, or (iii) periods during which the Company’s issuer rating by JRC has been suspended or withdrawn.

2) Period starting from the date on which the company announces an early redemption due to a clean-up clause prescribed in the terms of subject bonds, changes in tax regulations, reorganization, delisting of shares, squeeze outs, etc. (this does not apply to share acquisition rights attached to bonds not selected for early redemption in the case of early redemption on changes in tax regulations as prescribed in the terms of subject bonds).

3) In the case of a reorganization, unless the exercise of the share acquisition rights is suspended by the Company as outlined in (Note) 3 above, the period from the date on which the Company announces the reorganization to the holders of the subject bonds prescribed in the terms of subject bonds to the effective date of the reorganization. “Trading Day” means a day on which the Tokyo Stock Exchange, Inc. is open for business, but does not include days on which no closing price for shares is reported.

6. (1) In the event of corporate reorganization, the Company shall make the best effort to have the Succeeding Company (defined below) assume the position of the principal debtor of subject bonds based on the terms of the subject bonds, and issue new share acquisition rights in lieu of these share acquisition rights. However, succession and issuance will be executed based on the assumption that (i) it can be conducted based on applicable laws at the time of execution, (ii) a mechanism for execution has already been created or can be created, and (iii) the Company or Succeeding Company will not bear unreasonable (determined by the Company) costs (including taxes) from the perspective of overall reorganization. In such a case, the Company shall make the best effort to ensure that the Succeeding Company is a listed company in Japan at the effective date of the reorganization. The Company’s effort obligations as described in (1) is not applicable when the Company delivers to its financial agent a certificate prescribed in the clause pertaining to early redemption resulting from reorganization.

“Succeeding Company” refers to the other party in corporate reorganization, which undertakes the obligations of the Company concerning subject bonds and/or subject share acquisition rights.

(2) The details of the Succeeding Company's share acquisition rights that are to be issued pursuant to the above provisions in (Note 6 (1)) are as follows.

1) Number of share acquisition rights
The number of share acquisition rights shall be equal to the number of share acquisition rights attached to subject bonds that are outstanding as of the timing immediately before the effective date of reorganization.

2) Class of shares subject to share acquisition rights
The class of shares subject to the share acquisition rights shall be common shares of the Succeeding Company.

3) Number of shares subject to share acquisition rights
The number of shares of the Succeeding Company's common stock delivered upon exercise of such company's share acquisition rights shall be determined by the Succeeding Company, taking into consideration the conditions of the reorganization. In addition to making decisions by referring to the terms of subject bonds, (i) or (ii) below shall be followed. The conversion price shall be subject to the same adjustment as in (Note) 2 (2) above.

(i) In the case of a merger, share exchange, or share transfer, the conversion price shall be determined so that the holder of the Company's common shares, the number of which amounting to the number of shares obtainable when subject share acquisition rights are exercised immediately before the effective date of reorganization, shall be able to receive the number of Succeeding Company's common shares the holder is eligible to receive from such reorganization by exercising the share acquisition rights immediately following the effective date of reorganization. If securities or other assets other than the common stock of the Succeeding Company are deliverable at the time of reorganization, the same number of shares of common stock of the Succeeding Company may be received as calculated by dividing the fair value of such securities or assets by the market price of the common stock of the Succeeding Company.

(ii) In the event of reorganization other than the above, the conversion price shall be determined so that the economic benefit received by exercising the Succeeding Company's share acquisition rights immediately after the effective date of reorganization will be equivalent to the economic benefit the holder of subject bonds would have received, had such holder exercised the subject share acquisition rights immediately prior to the effective date of such reorganization.

4) Assets to be contributed upon exercise of share acquisition rights and their value
Upon exercise of share acquisition rights of the Succeeding Company, the succeeded bonds shall be contributed; the value thereof shall be the same as the face value of the succeeded bonds.

5) Period during which the share acquisition rights may be exercised
The exercise period of share acquisition rights of the Succeeding Company shall be from the effective date of the reorganization (or a specified date within 14 days after the effective date) until the expiration date of the exercise period of subject share acquisition rights as outlined in (Note) 3 above.

6) Other conditions for exercise of share acquisition rights
Partial exercise of each share acquisition right of the Succeeding Company is not possible. The exercise of share acquisition rights of the Succeeding Company is subject to the same limitations described in (Note 5 (2)) above.

7) Increase in share capital and legal capital surplus in the case of issuing shares upon exercise of share acquisition rights
The increase in share capital arising from the issuance of shares upon exercise of share acquisition rights of the Succeeding Company shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting; any fractions less than one yen arising therefrom shall be rounded up to the nearest one yen. The increase in legal capital surplus shall be obtained by subtracting the amount of increase in share capital from such maximum amount by which share capital can be increased.

8) In the event of corporate reorganization
Even in the event the Succeeding Company undergoes reorganization, the same procedures as with the subject bonds shall apply.

9) Other
Any fractions of less than one share resulting from the exercise of share acquisition rights of the Succeeding Company shall be rounded down and no adjustment in cash shall be made. Share acquisition rights of the Succeeding Company cannot be transferred separately from the succeeded B.

(3) In the event the Company has the Succeeding Company undertake or succeed the Company's obligations associated with subject bonds in accordance with the provisions of (Note 6 (1)) above, the Company shall abide by the terms of subject bonds and also bear a guarantee in certain cases specified in such terms.

7. Upon exercise of each share acquisition right, the bonds attached to the subject share acquisition rights shall be contributed, and the price of the bond shall be the same as the par value thereof.

Fifth series of share acquisition rights

Resolution date	November 2, 2021
Number of share acquisition rights*	17,214 units [－]
Of which, number of share acquisition rights held by the Company*	―
Class, content, and number of shares subject to share acquisition rights*	Common shares, 1,721,400 [－] (Note) 1
Amount payable on the exercise of share acquisition rights*	2,678.5 yen (Note) 2
Exercise period of share acquisition rights*	From November 24, 2021 to November 22, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Issue price: 2,711.08 yen Additional paid-in capital per share: 1,356 yen
Conditions for exercise of share acquisition rights*	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights*	Not applicable
Matters regarding grant of share acquisition rights accompanying corporate reorganization*	(Note) 5

* The information above is as of the end of the fiscal year under review (October 31, 2024). For matters that were changed between the end of the fiscal year under review and the end of the month preceding the filing date (February 28, 2025), the information as of the end of the month preceding the filing date is presented in square brackets. For all other matters, there have been no changes since the end of the fiscal year under review. The share acquisition rights have expired as the exercise period ended on November 22, 2024.

(Notes)

1. The type and total number of shares subject to the share acquisition rights shall be 1,721,400 common shares of the Company (the number of shares to be issued per share acquisition right [hereinafter, the “Number of Allotted Shares”] shall be 100 common shares of the Company). However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.
   (1) If an adjustment is made to the exercise price in accordance with the provisions in “Note 2. Adjustment of exercise price” below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the “Amount payable on the exercise of share acquisition rights” field.

$$\text{Number of Allotted Shares post-adjustment} = \frac{\text{Number of Allotted Shares pre-adjustment} \times \text{Pre-adjustment exercise price}}{\text{Post-adjustment exercise price}}$$

   (2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of “Note 2. Adjustment of exercise price” concerning the adjustment reasons.
   (3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the “Rights Holders”) in writing of such adjustment and the reason therefor, the Number of Allotted Shares pre-adjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) of “Note 2. Adjustment of exercise price” below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.
2. Adjustment of exercise price
   (1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the “Exercise Price Adjustment Formula;” the exercise price after adjustment shall be referred to as the “Post-Adjustment Exercise Price” and the share price before adjustment as the “Pre-Adjustment Exercise Price”).

$$\text{Post-Adjustment Exercise Price} = \text{Pre-Adjustment Exercise Price} \times \frac{\text{Number of common shares already issued} + \dfrac{\text{Number of common shares newly issued or disposed of} \times \text{Amount payable per share}}{\text{Market price}}}{\text{Number of common shares already issued} + \text{Number of common shares newly issued or disposed of}}$$

(2) The adjustment of the exercise price using the Exercise Price Adjustment Formula and the timing at which the Post-Adjustment Exercise Price becomes applicable shall be subject to the following.

1) If the Company issues new common shares at a price lower than the market price specified in Item (4) 2) below, or disposes of treasury shares (including those by means of gratis allotment) (excluding the cases of [1] issuance of new common shares to directors or employees of the Company or one of its subsidiaries, or disposals of treasury shares by the Company, based on the restricted stock compensation scheme introduced by the Company; or [2] acquisition, conversion, or exercise of securities that have been acquired or are subject to demand for acquisition by the Company in exchange of allotment of the Company's common shares, or share acquisition rights under which Rights Holders can demand the issuance of Company's common shares [including those attached to bonds with share acquisition rights] and other securities and rights; or [3] issuance of common shares of the Company under a share and share acquisition rights issuance program established in an agreement related to the establishment of a share and share acquisition rights issuance program between Pacific Alliance Asia Opportunity Fund L.P. and Sawada Hideo, the Chairman and Representative Director of the Company, based on the resolution by the Board of Directors on November 2, 2021 [hereinafter, the "Program"]), the Post-Adjustment Exercise Price shall be applicable on and after the day following the pay-in date (the final day of the payment period, if such a period is set), or on and after the day following the record date, if there is such a day for granting shareholders a right to allotment relating to such issuance or disposal.

2) If the Company issues common shares by means of a stock split or gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following the record date for the relevant stock split or gratis allotment (if no record date is set for a gratis allotment, the day on which the allotment becomes effective).

3) If common shares are acquired from the Company at a payment price lower than the market price specified in Item (4) 2) below as part of an exchange, if the Company issues securities (including through gratis allotment) that can request the Company to issue common shares at such a lower price, or if the Company issues share acquisition rights, bonds with share acquisition rights, or other securities or rights (including through gratis allotment) that can request the Company to issue common shares at such a lower price (excluding share acquisition rights issued as stock options to directors and employees of the Company or one of its subsidiaries by a resolution of the Board of Directors, or share acquisition rights issued under the Program based on the resolution by the Board of Directors on November 2, 2021), the Post-Adjustment Exercise Price shall be calculated using the Exercise Price Adjustment Formula on the assumption that the issued securities, share acquisition rights, or rights were all acquired at the initial acquisition price or exercised at the initial exercise price, and that the common shares of the Company were issued accordingly. The Post-Adjustment Exercise Price shall be applicable on and after the pay-in date for the securities or rights, or on and after the day following the allotment date of the share acquisition rights (including those attached to bonds with share acquisition rights). If there is a record date for share subscriptions or for gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following such date.

4) If the Company issues common shares at a price lower than the market price specified in Item (4) 2) below in exchange for shares subject to call or share acquisition rights subject to call (including those attached to bonds with shares acquisition rights) issued by the Company, the Post-Adjustment Exercise Price shall be applied from the day following the acquisition date.

5) In each of the cases specified in 1) through 3) above, if a record date has been set and the entry into force is subject to approval of the General Meeting of Shareholders, the Board of Directors, or any other body of the Company on and after that record day, notwithstanding any of the cases specified in 1) through 3) above, the Post-Adjustment Exercise Price shall be applied on and after the day following the date when the approval is given. In this case, the Company shall issue common shares to the Rights Holders who request to exercise their share acquisition rights between the day following the record date and day of approval using the following calculation method.

$$\text{Number of shares} = \frac{\left(\begin{array}{c}\text{Pre-Adjustment Exercise Price} -\\ \text{Post-Adjustment Exercise Price}\end{array}\right) \times \begin{array}{c}\text{Number of shares issued during the period}\\ \text{at Pre-Adjustment Exercise Price}\end{array}}{\text{Post-Adjustment Exercise Price}}$$

Any fractions of less than one share resulting from the adjustment shall be rounded down.

(3) If the difference between the Post-Adjustment Exercise Price calculated using the Exercise Price Adjustment Formula and the Pre-Adjustment Exercise Price is less than one yen, no adjustment shall be made to the exercise price. However, if any event occurs at a later date requiring an adjustment to the exercise price and therefore an adjustment is made to the exercise price, the Company shall use in place of the Pre-Adjustment Exercise Price used in the Exercise Price Adjustment Formula the amount that remains after deducting the above difference from the Pre-Adjustment Exercise Price.

(4) 1) In using the Exercise Price Adjustment Formula, the Company shall calculate prices to their second decimal place and then round them down to the first decimal place.

2) The market price used in the Exercise Price Adjustment Formula shall be the simple average of the closing prices of the common shares of the Company on the Tokyo Stock Exchange during the 30 trading days (not including days on which no closing price is quoted) starting from the 45th trading day preceding the day when the Post-Adjustment Exercise Price is applied for the first time. In this case, the simple average price shall be calculated to the second decimal place and rounded down to the first decimal place.

3) The "number of common shares already issued" used in the Exercise Price Adjustment Formula shall be the total number of common shares issued as of the record date for granting shareholders the right to share allotment or, in the absence of any such record date, as of the day that is one month prior to the day when the Post-Adjustment Exercise Price is applied for the first time, less the number of common shares held by the Company as of such date. Furthermore, in the case of item (2) 5) above, the "number of common shares newly issued or disposed of" used in the Exercise Price Adjustment Formula shall not include common shares that shall be allotted to the Company's common shares held by the Company on the record date.

(5) In cases other than the cases where an adjustment to the exercise price in accordance with item (2) above is required, the Company shall make necessary adjustments to the exercise price upon discussion with the Rights Holders in the following cases.

1) If the exercise price is required to be adjusted because of a stock consolidation, capital decrease, company split, share exchange, or merger;

2) If the exercise price is required to be adjusted because any other event or situation occurs that requires or may require a change to the number of common shares outstanding of the Company;

3) If multiple events that require the exercise price to be adjusted occur successively, and it becomes necessary to consider the effect of another event to determine the market price that shall be used for calculating the Post-Adjustment Exercise Price due to one event.

(6) If an adjustment is being made to the exercise price, the Company shall notify the Rights Holders in writing of such adjustment and the reason therefor, the Pre-Adjustment Exercise Price, the Post-Adjustment Exercise Price, and the first day when the Post-Adjustment Exercise Price becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) above or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

3. Total share issue price for shares issued upon exercise of share acquisition rights

4,610,769,900 yen

(Note) The total share issue price may be less than the amount indicated above if the share acquisition rights are not exercised during the exercise period, or if they are acquired and cancelled by the Company.

4. Share issue price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights

(1) Issue price per share in the event of issuance of shares upon exercise of share acquisition rights

The issue price per common share of the Company to be delivered upon exercise of the share acquisition rights shall be calculated by adding the total issue price for the share acquisition rights pertaining to the exercise request to the total amount of assets to be contributed upon exercise of each share acquisition right pertaining to the exercise request, and dividing that total by the number of shares subject to the share acquisition rights specified separately in the "Number of shares subject to share acquisition rights" field.

(2) Increases in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights

The increase in share capital arising from the issuance of shares upon exercise of share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. (Any fractions of less than one yen resulting therefrom shall be rounded up to the nearest one yen.) The increase in legal capital surplus shall be the amount obtained by deducting the amount of share capital to be increased from the maximum amount of increase in share capital.

5. In the event the Company engages in an absorption-type merger in which the Company will be the dissolved company, in a consolidation-type merger in which the Company will be the demerged company, in an absorption-type company split in which the Company will be the company to be split, in an incorporation-type company split in which the Company will be the company to be split, in a share exchange in which the company will be the wholly owned subsidiary company, or in a share transfer in which the company will be the wholly owned subsidiary company (hereafter all of which are collectively referred to as the "Reorganization"), the new entity (company surviving the absorption-type merger, company incorporated in a consolidation-type merger, successor company in absorption-type split, company incorporated in incorporation-type split, wholly owning parent company resulting from share exchange, or wholly owning parent company incorporated in a share transfer; hereafter all of which are collectively referred to as the "Reorganized Company") shall deliver new share acquisition rights to the Rights Holders in exchange for share acquisition rights remaining in effect immediately prior to the effective date of the Reorganization in accordance with the conditions below.

(1) Number of share acquisition rights of the Reorganized Company to be newly issued
The number of share acquisition rights of the Reorganized Company to be newly issued shall be reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization based on the number of share acquisition rights owned by the Rights Holders. Any fractions of less than one right resulting from such adjustment shall be rounded down.
(2) Class of shares subject to share acquisition rights to be newly issued
The class of shares subject to the share acquisition rights to be newly issued shall be the same as that of the Reorganized Company.
(3) Calculation method of the number of shares subject to share acquisition rights to be newly issued
The number of shares subject to share acquisition rights to be newly issued shall be determined by a method reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization. Any fractions of less than one share resulting from such adjustment shall be rounded up.
(4) Value of assets to be contributed upon exercise of share acquisition rights to be newly issued
The value of assets to be contributed upon exercise of the share acquisition rights to be newly issued shall be reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization. Any fractions of less than one yen resulting from such adjustment shall be rounded up.
(5) Exercise period and exercise conditions for share acquisition rights to be newly issued, issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights
These shall be determined at the time of the Reorganization in accordance with the conditions stated separately in the "Exercise period of share acquisition rights" field, "Conditions for exercise of share acquisition rights" field, this section, and the "Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights" field.

Sixth series of share acquisition rights

Resolution date	November 22, 2021
Number of share acquisition rights*	18,280 units [－]
Of which, number of share acquisition rights held by the Company*	—
Class, content, and number of shares subject to share acquisition rights*	Common shares, 1,828,000 [－] (Note) 1
Amount payable on the exercise of share acquisition rights*	2,523.4 yen (Note) 2
Exercise period of share acquisition rights*	From December 24, 2021 to December 13, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Issue price: 2,552.97 yen Additional paid-in capital per share: 1,277 yen
Conditions for exercise of share acquisition rights*	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights*	Not applicable
Matters regarding grant of share acquisition rights accompanying corporate reorganization*	(Note) 5

* The information above is as of the end of the fiscal year under review (October 31, 2024). For matters that were changed between the end of the fiscal year under review and the end of the month preceding the filing date (February 28, 2025), the information as of the end of the month preceding the filing date is presented in square brackets. For all other matters, there have been no changes since the end of the fiscal year under review. The share acquisition rights have expired as the exercise period ended on December 13, 2024.

(Notes)

1. The type and total number of shares subject to the share acquisition rights shall be 1,828,000 common shares of the Company (the number of shares to be issued per share acquisition right [hereinafter, the "Number of Allotted Shares"] shall be 100 common shares of the Company). However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.
   (1) If an adjustment is made to the exercise price in accordance with the provisions in "Note 2. Adjustment of exercise price" below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the "Amount payable on the exercise of share acquisition rights" field.

$$\text{Number of Allotted Shares post-adjustment} = \frac{\text{Number of Allotted Shares pre-adjustment} \times \text{Pre-adjustment exercise price}}{\text{Post-adjustment exercise price}}$$

   (2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of "Note 2. Adjustment of exercise price" concerning the adjustment reasons.
   (3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the "Rights Holders") in writing of such adjustment and the reason therefor, the Number of Allotted Shares pre-adjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) of "Note 2. Adjustment of exercise price" below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.
2. Adjustment of exercise price
   (1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the "Exercise Price Adjustment Formula;" the exercise price after adjustment shall be referred to as the "Post-Adjustment Exercise Price" and the share price before adjustment as the "Pre-Adjustment Exercise Price").

$$\text{Post-Adjustment Exercise Price} = \text{Pre-Adjustment Exercise Price} \times \frac{\text{Number of common shares already issued} + \dfrac{\text{Number of common shares newly issued or disposed of} \times \text{Amount payable per share}}{\text{Market price}}}{\text{Number of common shares already issued} + \text{Number of common shares newly issued or disposed of}}$$

(2) The adjustment of the exercise price using the Exercise Price Adjustment Formula and the timing at which the Post-Adjustment Exercise Price becomes applicable shall be subject to the following.

1) If the Company issues new common shares at a price lower than the market price specified in Item (4) 2) below, or disposes of treasury shares (including those by means of gratis allotment) (excluding the cases of [1] issuance of new common shares to directors or employees of the Company or one of its subsidiaries, or disposals of treasury shares by the Company, based on the restricted stock compensation scheme introduced by the Company; or [2] acquisition, conversion, or exercise of securities that have been acquired or are subject to demand for acquisition by the Company in exchange of allotment of the Company's common shares, or share acquisition rights under which Rights Holders can demand the issuance of Company's common shares [including those attached to bonds with share acquisition rights] and other securities and rights; or [3] issuance of common shares of the Company under the Program established based on the resolution by the Board of Directors on November 2, 2021), the Post-Adjustment Exercise Price shall be applicable on and after the day following the pay-in date (the final day of the payment period, if such a period is set), or on and after the day following the record date, if there is such a day for granting shareholders a right to allotment relating to such issuance or disposal.

2) If the Company issues common shares by means of a stock split or gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following the record date for the relevant stock split or gratis allotment (if no record date is set for a gratis allotment, the day on which the allotment becomes effective).

3) If common shares are acquired from the Company at a payment price lower than the market price specified in Item (4) 2) below as part of an exchange, if the Company issues securities (including through gratis allotment) that can request the Company to issue common shares at such a lower price, or if the Company issues share acquisition rights, bonds with share acquisition rights, or other securities or rights (including through gratis allotment) that can request the Company to issue common shares at such a lower price (excluding share acquisition rights issued as stock options to directors and employees of the Company or one of its subsidiaries by a resolution of the Board of Directors, or share acquisition rights issued under the Program based on the resolution by the Board of Directors on November 2, 2021), the Post-Adjustment Exercise Price shall be calculated using the Exercise Price Adjustment Formula on the assumption that the issued securities, share acquisition rights, or rights were all acquired at the initial acquisition price or exercised at the initial exercise price, and that the common shares of the Company were issued accordingly. The Post-Adjustment Exercise Price shall be applicable on and after the pay-in date for the securities or rights, or on and after the day following the allotment date of the share acquisition rights (including those attached to bonds with share acquisition rights). If there is a record date for share subscriptions or for gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following such date.

4) If the Company issues common shares at a price lower than the market price specified in Item (4) 2) below in exchange for shares subject to call or share acquisition rights subject to call (including those attached to bonds with shares acquisition rights) issued by the Company, the Post-Adjustment Exercise Price shall be applied from the day following the acquisition date.

5) In each of the cases specified in 1) through 3) above, if a record date has been set and the entry into force is subject to approval of the General Meeting of Shareholders, the Board of Directors, or any other body of the Company on and after that record day, notwithstanding any of the cases specified in 1) through 3) above, the Post-Adjustment Exercise Price shall be applied on and after the day following the date when the approval is given. In this case, the Company shall issue common shares to the Rights Holders who request to exercise their share acquisition rights between the day following the record date and day of approval using the following calculation method.

$$\text{Number of shares} = \frac{\begin{array}{c}\text{(Pre-Adjustment Exercise Price} - \\ \text{Post-Adjustment Exercise Price)}\end{array} \times \begin{array}{c}\text{Number of shares issued during the period} \\ \text{at Pre-Adjustment Exercise Price}\end{array}}{\text{Post-Adjustment Exercise Price}}$$

Any fractions of less than one share resulting from the adjustment shall be rounded down.

(3) If the difference between the Post-Adjustment Exercise Price calculated using the Exercise Price Adjustment Formula and the Pre-Adjustment Exercise Price is less than one yen, no adjustment shall be made to the exercise price. However, if any event occurs at a later date requiring an adjustment to the exercise price and therefore an adjustment is made to the exercise price, the Company shall use in place of the Pre-Adjustment Exercise Price used in the Exercise Price Adjustment Formula the amount that remains after deducting the above difference from the Pre-Adjustment Exercise Price.

(4) 1) In using the Exercise Price Adjustment Formula, the Company shall calculate prices to their second decimal place and then round them down to the first decimal place.

2) The market price used in the Exercise Price Adjustment Formula shall be the simple average of the closing prices of the common shares of the Company on the Tokyo Stock Exchange during the 30 trading days (not including days on which no closing price is quoted) starting from the 45th trading day preceding the day when the Post-Adjustment Exercise Price is applied for the first time. In this case, the simple average price shall be calculated to the second decimal place and rounded down to the first decimal place.

3) The "number of common shares already issued" used in the Exercise Price Adjustment Formula shall be the total number of common shares issued as of the record date for granting shareholders the right to share allotment or, in the absence of any such record date, as of the day that is one month prior to the day when the Post-Adjustment Exercise Price is applied for the first time, less the number of common shares held by the Company as of such date. Furthermore, in the case of item (2) 5) above, the "number of common shares newly issued or disposed of" used in the Exercise Price Adjustment Formula shall not include common shares that shall be allotted to the Company's common shares held by the Company on the record date.

(5) In cases other than the cases where an adjustment to the exercise price in accordance with item (2) above is required, the Company shall make necessary adjustments to the exercise price upon discussion with the Rights Holders in the following cases.

1) If the exercise price is required to be adjusted because of a stock consolidation, capital decrease, company split, share exchange, or merger;

2) If the exercise price is required to be adjusted because any other event or situation occurs that requires or may require a change to the number of common shares outstanding of the Company;

3) If multiple events that require the exercise price to be adjusted occur successively, and it becomes necessary to consider the effect of another event to determine the market price that shall be used for calculating the Post-Adjustment Exercise Price due to one event.

(6) If an adjustment is being made to the exercise price, the Company shall notify the Rights Holders in writing of such adjustment and the reason therefor, the Pre-Adjustment Exercise Price, the Post-Adjustment Exercise Price, and the first day when the Post-Adjustment Exercise Price becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) above or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

3. Total share issue price for shares issued upon exercise of share acquisition rights

4,612,775,200 yen

(Note) The total share issue price may be less than the amount indicated above if the share acquisition rights are not exercised during the exercise period, or if they are acquired and cancelled by the Company.

4. Share issue price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights

(1) Issue price per share in the event of issuance of shares upon exercise of share acquisition rights

The issue price per common share of the Company to be delivered upon exercise of the share acquisition rights shall be calculated by adding the total issue price for the share acquisition rights pertaining to the exercise request to the total amount of assets to be contributed upon exercise of each share acquisition right pertaining to the exercise request, and dividing that total by the number of shares subject to the share acquisition rights specified separately in the "Number of shares subject to share acquisition rights" field.

(2) Increases in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights

The increase in share capital arising from the issuance of shares upon exercise of share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. (Any fractions of less than one yen resulting therefrom shall be rounded up to the nearest one yen.) The increase in legal capital surplus shall be the amount obtained by deducting the amount of share capital to be increased from the maximum amount of increase in share capital.

5. In the event the Company engages in an absorption-type merger in which the Company will be the dissolved company, in a consolidation-type merger in which the Company will be the demerged company, in an absorption-type company split in which the Company will be the company to be split, in an incorporation-type company split in which the Company will be the company to be split, in a share exchange in which the company will be the wholly owned subsidiary company, or in a share transfer in which the company will be the wholly owned subsidiary company (hereafter all of which are collectively referred to as the "Reorganization"), the new entity (company surviving the absorption-type merger, company incorporated in a consolidation-type merger, successor company in absorption-type split, company incorporated in incorporation-type split, wholly owning parent company resulting from share exchange, or wholly owning parent company incorporated in a share transfer; hereafter all of which are collectively referred to as the "Reorganized Company") shall deliver new share acquisition rights to the Rights Holders in exchange for share acquisition rights remaining in effect immediately prior to the effective date of the Reorganization in accordance with the conditions below.

(1) Number of share acquisition rights of the Reorganized Company to be newly issued
The number of share acquisition rights of the Reorganized Company to be newly issued shall be reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization based on the number of share acquisition rights owned by the Rights Holders. Any fractions of less than one right resulting from such adjustment shall be rounded down.

(2) Class of shares subject to share acquisition rights to be newly issued
The class of shares subject to the share acquisition rights to be newly issued shall be the same as that of the Reorganized Company.

(3) Calculation method of the number of shares subject to share acquisition rights to be newly issued
The number of shares subject to share acquisition rights to be newly issued shall be determined by a method reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization. Any fractions of less than one share resulting from such adjustment shall be rounded up.

(4) Value of assets to be contributed upon exercise of share acquisition rights to be newly issued
The value of assets to be contributed upon exercise of the share acquisition rights to be newly issued shall be reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization. Any fractions of less than one yen resulting from such adjustment shall be rounded up.

(5) Exercise period and exercise conditions for share acquisition rights to be newly issued, issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights
These shall be determined at the time of the Reorganization in accordance with the conditions stated separately in the "Exercise period of share acquisition rights" field, "Conditions for exercise of share acquisition rights" field, this section, and the "Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights" field.

Seventh series of share acquisition rights

Resolution date	December 13, 2021
Number of share acquisition rights*	23,252 units [－]
Of which, number of share acquisition rights held by the Company*	—
Class, content, and number of shares subject to share acquisition rights*	Common shares, 2,325,200 [－] (Note) 1
Amount payable on the exercise of share acquisition rights*	1,983.3 yen (Note) 2
Exercise period of share acquisition rights*	From December 29, 2021 to December 28, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Issue price: 2,007.1 yen Additional paid-in capital per share: 1,004 yen
Conditions for exercise of share acquisition rights*	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights*	Not applicable
Matters regarding grant of share acquisition rights accompanying corporate reorganization*	(Note) 5

* The information above is as of the end of the fiscal year under review (October 31, 2024). For matters that were changed between the end of the fiscal year under review and the end of the month preceding the filing date (February 28, 2025), the information as of the end of the month preceding the filing date is presented in square brackets. For all other matters, there have been no changes since the end of the fiscal year under review. The share acquisition rights have expired as the exercise period ended on December 28, 2024.

(Notes)

1. The type and total number of shares subject to the share acquisition rights shall be 2,325,200 common shares of the Company (the number of shares to be issued per share acquisition right [hereinafter, the “Number of Allotted Shares”] shall be 100 common shares of the Company). However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.
   (1) If an adjustment is made to the exercise price in accordance with the provisions in “Note 2. Adjustment of exercise price” below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the “Amount payable on the exercise of share acquisition rights” field.

$$\text{Number of Allotted Shares post-adjustment} = \frac{\text{Number of Allotted Shares pre-adjustment} \times \text{Pre-adjustment exercise price}}{\text{Post-adjustment exercise price}}$$

   (2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of “Note 2. Adjustment of exercise price” concerning the adjustment reasons.
   (3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the “Rights Holders”) in writing of such adjustment and the reason therefor, the Number of Allotted Shares pre-adjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) of “Note 2. Adjustment of exercise price” below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.
2. Adjustment of exercise price
   (1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the “Exercise Price Adjustment Formula;” the exercise price after adjustment shall be referred to as the “Post-Adjustment Exercise Price” and the share price before adjustment as the “Pre-Adjustment Exercise Price”).

$$\text{Post-Adjustment Exercise Price} = \text{Pre-Adjustment Exercise Price} \times \frac{\text{Number of common shares already issued} + \dfrac{\text{Number of common shares newly issued or disposed of} \times \text{Amount payable per share}}{\text{Market price}}}{\text{Number of common shares already issued} + \text{Number of common shares newly issued or disposed of}}$$

(2) The adjustment of the exercise price using the Exercise Price Adjustment Formula and the timing at which the Post-Adjustment Exercise Price becomes applicable shall be subject to the following.

1) If the Company issues new common shares at a price lower than the market price specified in Item (4) 2) below, or disposes of treasury shares (including those by means of gratis allotment) (excluding the cases of [1] issuance of new common shares to directors or employees of the Company or one of its subsidiaries, or disposals of treasury shares by the Company, based on the restricted stock compensation scheme introduced by the Company; or [2] acquisition, conversion, or exercise of securities that have been acquired or are subject to demand for acquisition by the Company in exchange of allotment of the Company's common shares, or share acquisition rights under which Rights Holders can demand the issuance of Company's common shares [including those attached to bonds with share acquisition rights] and other securities and rights; or [3] issuance of common shares of the Company under the Program established based on the resolution by the Board of Directors on November 2, 2021), the Post-Adjustment Exercise Price shall be applicable on and after the day following the pay-in date (the final day of the payment period, if such a period is set), or on and after the day following the record date, if there is such a day for granting shareholders a right to allotment relating to such issuance or disposal.

2) If the Company issues common shares by means of a stock split or gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following the record date for the relevant stock split or gratis allotment (if no record date is set for a gratis allotment, the day on which the allotment becomes effective).

3) If common shares are acquired from the Company at a payment price lower than the market price specified in Item (4) 2) below as part of an exchange, if the Company issues securities (including through gratis allotment) that can request the Company to issue common shares at such a lower price, or if the Company issues share acquisition rights, bonds with share acquisition rights, or other securities or rights (including through gratis allotment) that can request the Company to issue common shares at such a lower price (excluding share acquisition rights issued as stock options to directors and employees of the Company or one of its subsidiaries by a resolution of the Board of Directors, or share acquisition rights issued under the Program based on the resolution by the Board of Directors on November 2, 2021), the Post-Adjustment Exercise Price shall be calculated using the Exercise Price Adjustment Formula on the assumption that the issued securities, share acquisition rights, or rights were all acquired at the initial acquisition price or exercised at the initial exercise price, and that the common shares of the Company were issued accordingly. The Post-Adjustment Exercise Price shall be applicable on and after the pay-in date for the securities or rights, or on and after the day following the allotment date of the share acquisition rights (including those attached to bonds with share acquisition rights). If there is a record date for share subscriptions or for gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following such date.

4) If the Company issues common shares at a price lower than the market price specified in Item (4) 2) below in exchange for shares subject to call or share acquisition rights subject to call (including those attached to bonds with shares acquisition rights) issued by the Company, the Post-Adjustment Exercise Price shall be applied from the day following the acquisition date.

5) In each of the cases specified in 1) through 3) above, if a record date has been set and the entry into force is subject to approval of the General Meeting of Shareholders, the Board of Directors, or any other body of the Company on and after that record day, notwithstanding any of the cases specified in 1) through 3) above, the Post-Adjustment Exercise Price shall be applied on and after the day following the date when the approval is given. In this case, the Company shall issue common shares to the Rights Holders who request to exercise their share acquisition rights between the day following the record date and day of approval using the following calculation method.

$$\text{Number of shares} = \frac{\begin{array}{c}\text{(Pre-Adjustment Exercise Price} -\\ \text{Post-Adjustment Exercise Price)}\end{array} \times \begin{array}{c}\text{Number of shares issued during the period}\\ \text{at Pre-Adjustment Exercise Price}\end{array}}{\text{Post-Adjustment Exercise Price}}$$

Any fractions of less than one share resulting from the adjustment shall be rounded down.

(3) If the difference between the Post-Adjustment Exercise Price calculated using the Exercise Price Adjustment Formula and the Pre-Adjustment Exercise Price is less than one yen, no adjustment shall be made to the exercise price. However, if any event occurs at a later date requiring an adjustment to the exercise price and therefore an adjustment is made to the exercise price, the Company shall use in place of the Pre-Adjustment Exercise Price used in the Exercise Price Adjustment Formula the amount that remains after deducting the above difference from the Pre-Adjustment Exercise Price.

(4) 1) In using the Exercise Price Adjustment Formula, the Company shall calculate prices to their second decimal place and then round them down to the first decimal place.

2) The market price used in the Exercise Price Adjustment Formula shall be the simple average of the closing prices of the common shares of the Company on the Tokyo Stock Exchange during the 30 trading days (not including days on which no closing price is quoted) starting from the 45th trading day preceding the day when the Post-Adjustment Exercise Price is applied for the first time. In this case, the simple average price shall be calculated to the second decimal place and rounded down to the first decimal place.

3) The "number of common shares already issued" used in the Exercise Price Adjustment Formula shall be the total number of common shares issued as of the record date for granting shareholders the right to share allotment or, in the absence of any such record date, as of the day that is one month prior to the day when the Post-Adjustment Exercise Price is applied for the first time, less the number of common shares held by the Company as of such date. Furthermore, in the case of item (2) 5) above, the "number of common shares newly issued or disposed of" used in the Exercise Price Adjustment Formula shall not include common shares that shall be allotted to the Company's common shares held by the Company on the record date.

(5) In cases other than the cases where an adjustment to the exercise price in accordance with item (2) above is required, the Company shall make necessary adjustments to the exercise price upon discussion with the Rights Holders in the following cases.

1) If the exercise price is required to be adjusted because of a stock consolidation, capital decrease, company split, share exchange, or merger;

2) If the exercise price is required to be adjusted because any other event or situation occurs that requires or may require a change to the number of common shares outstanding of the Company;

3) If multiple events that require the exercise price to be adjusted occur successively, and it becomes necessary to consider the effect of another event to determine the market price that shall be used for calculating the Post-Adjustment Exercise Price due to one event.

(6) If an adjustment is being made to the exercise price, the Company shall notify the Rights Holders in writing of such adjustment and the reason therefor, the Pre-Adjustment Exercise Price, the Post-Adjustment Exercise Price, and the first day when the Post-Adjustment Exercise Price becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) above or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

3. Total share issue price for shares issued upon exercise of share acquisition rights

4,611,569,160 yen

(Note) The total share issue price may be less than the amount indicated above if the share acquisition rights are not exercised during the exercise period, or if they are acquired and cancelled by the Company.

4. Share issue price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights

(1) Issue price per share in the event of issuance of shares upon exercise of share acquisition rights

The issue price per common share of the Company to be delivered upon exercise of the share acquisition rights shall be calculated by adding the total issue price for the share acquisition rights pertaining to the exercise request to the total amount of assets to be contributed upon exercise of each share acquisition right pertaining to the exercise request, and dividing that total by the number of shares subject to the share acquisition rights specified separately in the "Number of shares subject to share acquisition rights" field.

(2) Increases in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights

The increase in share capital arising from the issuance of shares upon exercise of share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. (Any fractions of less than one yen resulting therefrom shall be rounded up to the nearest one yen.) The increase in legal capital surplus shall be the amount obtained by deducting the amount of share capital to be increased from the maximum amount of increase in share capital.

5. In the event the Company engages in an absorption-type merger in which the Company will be the dissolved company, in a consolidation-type merger in which the Company will be the demerged company, in an absorption-type company split in which the Company will be the company to be split, in an incorporation-type company split in which the Company will be the company to be split, in a share exchange in which the company will be the wholly owned subsidiary company, or in a share transfer in which the company will be the wholly owned subsidiary company (hereafter all of which are collectively referred to as the "Reorganization"), the new entity (company surviving the absorption-type merger, company incorporated in a consolidation-type merger, successor company in absorption-type split, company incorporated in incorporation-type split, wholly owning parent company resulting from share exchange, or wholly owning parent company incorporated in a share transfer; hereafter all of which are collectively referred to as the "Reorganized Company") shall deliver new share acquisition rights to the Rights Holders in exchange for share acquisition rights remaining in effect immediately prior to the effective date of the Reorganization in accordance with the conditions below.

(1) Number of share acquisition rights of the Reorganized Company to be newly issued
The number of share acquisition rights of the Reorganized Company to be newly issued shall be reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization based on the number of share acquisition rights owned by the Rights Holders. Any fractions of less than one right resulting from such adjustment shall be rounded down.

(2) Class of shares subject to share acquisition rights to be newly issued
The class of shares subject to the share acquisition rights to be newly issued shall be the same as that of the Reorganized Company.

(3) Calculation method of the number of shares subject to share acquisition rights to be newly issued
The number of shares subject to share acquisition rights to be newly issued shall be determined by a method reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization. Any fractions of less than one share resulting from such adjustment shall be rounded up.

(4) Value of assets to be contributed upon exercise of share acquisition rights to be newly issued
The value of assets to be contributed upon exercise of the share acquisition rights to be newly issued shall be reasonably adjusted in consideration of the conditions and other relevant factors of the Reorganization. Any fractions of less than one yen resulting from such adjustment shall be rounded up.

(5) Exercise period and exercise conditions for share acquisition rights to be newly issued, issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights
These shall be determined at the time of the Reorganization in accordance with the conditions stated separately in the "Exercise period of share acquisition rights" field, "Conditions for exercise of share acquisition rights" field, this section, and the "Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights" field.

(3) Information on Moving Strike Convertible Bonds, etc.
There are no applicable matters to report.

(4) Changes in the Total Number of Issued Shares, Share Capital, etc.

Date	Increase/ decrease in total number of issued shares (shares)	Balance of issued shares (shares)	Increase/decrease in share capital (millions of yen)	Balance of share capital (millions of yen)	Increase/ decrease in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
October 19, 2020 (Note) 1	5,246,000	73,768,936	4,000	15,000	4,000	7,661
October 30, 2020 (Note) 2	(5,000,000)	68,768,936	—	15,000	—	7,661
November 1, 2020– October 31, 2021 (Note) 3	7,200,300	75,969,236	6,048	21,048	6,048	13,709
November 22, 2021 (Note) 4	1,140,600	77,109,836	1,250	22,298	1,250	14,959
December 13, 2021 (Note) 5	1,210,700	78,320,536	1,250	23,548	1,250	16,209
December 28, 2021 (Note) 6	1,540,400	79,860,936	1,250	24,798	1,250	17,459
October 27, 2022 (Note) 7	—	79,860,936	(24,698)	100	(17,434)	25

(Notes) 1. Increase due to a third-party allotment of new shares
Issue price: 1,525 yen
Additional paid-in capital: 762.5 yen
Allottee: Long Corridor Alpha Opportunities Master Fund MAP246 Segregated Portfolio
2. Decrease due to cancellation of treasury shares
3. Increase due to exercise of share acquisition rights
4. Increase due to a third-party allotment of new shares
Issue price: 2,192 yen
Additional paid-in capital: 1,096 yen
Allottee: Pacific Alliance Asia Opportunity Fund L.P.
5. Increase due to a third-party allotment of new shares
Issue price: 2,065 yen
Additional paid-in capital: 1,032.5 yen
Allottee: Pacific Alliance Asia Opportunity Fund L.P.
6. Increase due to a third-party allotment of new shares
Issue price: 1,623 yen
Additional paid-in capital: 811.5 yen
Allottee: Pacific Alliance Asia Opportunity Fund L.P.
7. In accordance with the resolution of the extraordinary General Meeting of Shareholders held on October 27, 2022, the amounts of share capital and legal capital surplus have been reduced for the purpose of enhancing the financial condition, and the resulting other capital surplus was 42,133 million yen, of which 13,363 million yen was appropriated to compensate for the deficit in retained earnings brought forward. As a result, share capital decreased by 24,698 million yen (capital reduction ratio of 99.6%) and the legal capital surplus decreased by 17,434 million yen (capital reduction ratio of 99.9%).

(5) Composition of Issued Shares by Type of Shareholders

As of October 31, 2024

Category	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	—	16	38	345	177	826	64,939	66,341	—
Share ownership (units)	—	109,394	16,226	48,394	88,152	4,289	530,609	797,064	154,536
Ownership percentage of shares (%)	—	13.72	2.04	6.07	11.06	0.54	66.57	100.00	—

(Notes) 1. Of the 5,136,658 treasury shares, 51,366 units are included in the "Individuals and others" column, while 58 shares are included in the "Number of shares less than one unit" column.
2. Of the shares registered in the name of Japan Securities Depository Center, Incorporated, 18 units are included in the "Other corporations" column and 40 shares are included in the "Number of shares less than one unit" column.

(6) Major Shareholders

As of October 31, 2024

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (excluding treasury shares) (%)
Sawada Hideo	Shibuya-ku, Tokyo	17,958	24.03
The Master Trust Bank of Japan, Ltd.	1-8-1 Akasaka, Minato-ku, Tokyo	7,932	10.62
Hide Inter Ltd.	1-7-26 Shoto, Shibuya-ku, Tokyo	3,757	5.03
Custody Bank of Japan, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	2,896	3.88
State Street Bank and Trust Company (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	1,506	2.02
NORTHERN TRUST CO. (AVFC) RE WS WALES PENSION PARTNERSHIP (WALES PP) ASSET POOLING ACS UMBRELLA (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Services Department)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	1,478	1.98
H.I.S. Employee Stock Ownership Association	4-1-1 Toranomon, Minato-ku, Tokyo	980	1.31
Sawada Mayumi	Shibuya-ku, Tokyo	900	1.21
Sawada Hidetaka	Shibuya-ku, Tokyo	657	0.88
State Street Bank West Client-Treaty (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1 Konan Minato-ku Tokyo)	657	0.88
Total	—	38,726	51.83

(Note) Of the shares owned by the above trust banks, the number of shares pertaining to trust services is as follows.

The Master Trust Bank of Japan, Ltd.	7,932 thousand shares
Custody Bank of Japan, Ltd.	2,896 thousand shares

(7) Information on Voting Rights

1) Issued Shares

As of October 31, 2024

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	Common stock: 5,136,600	—	—
Shares with full voting rights (others)	Common stock: 74,569,800	745,698	—
Shares less than one unit	Common stock: 154,536	—	—
Total number of issued shares	79,860,936	—	—
Total number of voting rights held by all shareholders	—	745,698	—

(Note) "Shares with full voting rights (others)" and "Shares less than one unit" above include 1,800 shares and 40 shares, respectively, held under the name of Japan Securities Depository Center, Inc. (JASDEC). The number of voting rights includes 18 voting rights from shares with full voting rights of the forfeited shares held under the name of this same institution.

2) Treasury Shares

As of October 31, 2024

Shareholder	Shareholder address	Number of shares held under own name	Number of shares held under another name	Total number of shares held	Ownership percentage to the total number of issued shares (%)
H.I.S. Co., Ltd.	4-1-1 Toranomon, Minato-ku, Tokyo	5,136,600	—	5,136,600	6.43
Total	—	5,136,600	—	5,136,600	6.43

2. Information on Acquisition of Treasury Shares, etc.

[Class of shares] Acquisition of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition by Resolution at the General Meeting of Shareholders

There are no applicable matters to report.

(2) Acquisition by Resolution of the Board of Directors

There are no applicable matters to report.

(3) Acquisition Not Based on Resolutions at the General Meeting of Shareholders or of the Board of Directors

Classification	Number of shares	Total amount (millions of yen)
Treasury shares acquired during the year ended October 31, 2024	228	0
Treasury shares acquired during the period from November 1, 2024 to March 31, 2025	10	0

(Note) Fractional shares less than one trading unit purchased between February 1, 2025 and the filing date of this Annual Securities Report are not included in the number of treasury shares acquired during the period from November 1, 2024 to March 31, 2025.

(4) Status of the Disposition and Holding of Acquired Treasury Shares

Classification	Year ended October 31, 2024		November 1, 2024 to March 31, 2025	
	Number of shares (shares)	Total amount disposed (millions of yen)	Number of shares (shares)	Total amount disposed (millions of yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that were disposed of	–	–	–	–
Acquired treasury shares transferred due to merger, share exchange, share issuance, or demerger	–	–	–	–
Others (disposal of treasury shares as restricted stock remuneration)	12,435	31	–	–
Total number of treasury shares held	5,136,658	–	5,136,668	–

(Note) Fractional shares less than one trading unit purchased between February 1, 2025 and the filing date of this Annual Securities Report are not included in the total number of treasury shares held during the period from November 1, 2024 to March 31, 2025.

3. Dividend Policy

The HIS Group recognizes the return of profits to shareholders as one of its important management policies. While striving to enhance corporate value, the Group aims to distribute profits in a stable and continuous manner based on financial performance, taking into account global conditions, trends in the travel industry, the strengthening of its corporate structure, and future business development. Although the Group has an interim dividend system, it provides only a year-end dividend to ensure alignment with financial performance, as sales and earnings tend to be comparatively higher in the second half of each fiscal year.

As announced in the “Notice Regarding the Policy on the Convocation of an Adjourned Meeting of the 44th Ordinary General Meeting of Shareholders, Revision of Earnings Forecast, and Dividend of Surplus (No Dividend)” disclosed on December 20, 2024, the Company conducted an investigation through a Special Investigation Committee to confirm whether there were any issues regarding the receipt of employment adjustment subsidies across the Group. In accordance with the basic policy on profit distribution and other related matters described above, and in light of the financial impact of the investigation and other factors identified by the investigation, the Company determined not to pay a year-end (annual) dividend for the fiscal year under review. With respect to dividends for the next fiscal year, in order to respond to the ongoing support of shareholders through continuous and stable profit distribution while aiming to enhance the level of dividends, the Company plans to pay both an interim and a year-end dividend. The interim dividend is scheduled to be an ordinary dividend of 10 yen per share, and the year-end dividend is similarly scheduled to be an ordinary dividend of 10 yen per share. However, in the event that performance deteriorates due to an uncertain market environment, the Company may take flexible measures accordingly.

4. Corporate Governance, etc.

(1) Overview of Corporate Governance

Basic policy on corporate governance

The HIS Group upholds the HIS Group Purpose—Unleash your feeling “KOKORO ODORU”—and strives to build strong relationships with all stakeholders while aiming to remain a company that continues to be chosen by society. It recognizes that the effectiveness of corporate governance is essential for achieving sustainable growth and enhancing corporate value over the medium to long term.

The Company aims to instill the intent and spirit of the HIS Group Value, which serves as its guiding principles, and the HIS Group Code of Conduct, which outlines behavioral standards to be observed in society. Based on various rules and regulations that must be followed by officers and employees of the HIS Group, the Company works to implement and strengthen corporate governance.

1) Overview of corporate governance structure

The Company has adopted a corporate governance structure with an Audit & Supervisory Committee and has set up a Human resources / Nomination Committee, a Compensation Committee, an Investment Committee, and a Financing / Fund Management Committee as advisory committees to its Board of Directors. As of the filing date of this report, the members of the various governance bodies are as follows.

The Board of Directors comprises 11 directors, including four outside directors, and is chaired by CEO Yada Motoshi. Other members include Director Nakamori Tatsuya, Director Oda Masayuki, Director Yamanobe Atsushi, Director Gomi Mutsumi, Director Sawada Hidetaka, Outside Director Owada Junko, Outside Director Kagawa Shingo, Director and Audit & Supervisory Committee Member Sekita Sonoko, Outside Director and Audit & Supervisory Committee Member Nabeshima Atsushi, and Outside Director and Audit & Supervisory Committee Member Kaneko Hiroto. The Board of Directors makes decisions regarding matters provided by laws and regulations, basic operating policies, and important matters related to management, and oversees the execution of duties by its directors and executive officers. As a rule, it meets once a month.

The Human resources / Nomination Committee comprises seven directors, including four outside directors, and is chaired by CEO Yada Motoshi. Other members include Director Nakamori Tatsuya, Director Sawada Hidetaka, Outside Director Owada Junko, Outside Director Kagawa Shingo, Outside Director and Audit & Supervisory Committee Member Nabeshima Atsushi, and Outside Director and Audit & Supervisory Committee Member Kaneko Hiroto. The Committee formulates proposals regarding the appointment and dismissal of directors and executive officers, and convenes as necessary.

The Compensation Committee comprises seven directors, including four outside directors, and is chaired by CEO Yada Motoshi. Other members include Director Nakamori Tatsuya, Director Sawada Hidetaka, Outside Director Owada Junko, Outside Director Kagawa Shingo, Outside Director and Audit & Supervisory Committee Member Nabeshima Atsushi, and Outside Director and Audit & Supervisory Committee Member Kaneko Hiroto. The Committee formulates the details of individual compensation for directors, executive officers, and presidents of subsidiaries and associates.

The Investment Committee comprises six directors, including three outside directors, and is chaired by CEO Yada Motoshi. Other members include Director Oda Masayuki, Director Yamanobe Atsushi, Outside Director Owada Junko, Outside Director and Audit & Supervisory Committee Member Nabeshima Atsushi, and Outside Director and Audit & Supervisory Committee Member Kaneko Hiroto. The Committee assists the Board of Directors with decisions regarding investment projects.

The Financing / Fund Management Committee comprises six directors, including two outside directors, and is chaired by CEO Yada Motoshi. Other members include Director Oda Masayuki, Director Gomi Mutsumi, Outside Director Kagawa Shingo, Outside Director and Audit & Supervisory Committee Member Kaneko Hiroto, and Director and Audit & Supervisory Committee Member Sekita Sonoko. The Committee assists the Board of Directors with decisions regarding procurement and management of material funds.

2) Reason for adoption of corporate governance structure

In consideration of the scale and nature of the Company and HIS Group’s businesses, the Company had in place a governance structure of a company with corporate auditors and a Board of Corporate Auditors until the 35th fiscal year (ended October 31, 2015). The intent was to engage in fair, transparent, quick, and decisive decision-making regarding business management, and facilitate full accountability to the shareholders and other stakeholders.

Corporate auditors and the Board of Corporate Auditors, in addition to conducting legality audits, conducted validity audits to the extent permitted by laws and regulations, and offered advice and recommendations at the Board of Directors meetings with respect to the execution of operational and professional duties by directors. Factoring in such conditions, the Company reviewed the details pertaining to the Audit & Supervisory Committee structure created by the Law for Partial Amendment to the Companies Act (Act No. 90 of 2014, effective May 1, 2015) and determined that the latter structure was compatible with the actual circumstances of the Company and would help strengthen its corporate governance further, as the Company and Group pursued sustainable growth and enhancement of corporate value over the medium to long term.

Based on this decision, the transition to a company with an Audit & Supervisory Committee was proposed at the 35th Ordinary General Meeting of Shareholders held on January 27, 2016 and implemented by a resolution approved by the shareholders.

3) Other matters related to corporate governance

(I) Basic approach to and development status of the internal control system (including systems for ensuring the appropriateness of business operations within the corporate group consisting of the Company and its Group companies [subsidiaries and associates])

[Basic approach to the development of the internal control system]

As a company with an Audit & Supervisory Committee based on Article 399-13, Paragraph 2 of the Companies Act, the Company determines, as basic policies and via resolution of the Board of Directors, those items required for the Audit & Supervisory Committee to execute its duties. It also determines those items necessary for systemic improvements that ensure appropriateness of business operations within the corporate group consisting of the Company and its Group companies. Such items include:

1. System for ensuring that directors and employees conduct their duties in compliance with laws, regulations, and the Company's Articles of Incorporation
2. Rules and system for managing risk of loss to the Company and its Group companies
3. System for ensuring that duties of directors are being conducted efficiently
4. System for ensuring preservation and management of information in relation to directors' execution of duties
5. System for ensuring appropriateness of business operations within the corporate group consisting of the Company and its Group companies
6. System for ensuring reliability of financial reporting
7. Items required for the Audit & Supervisory Committee to execute its duties (system for ensuring that audits by the Audit & Supervisory Committee are conducted effectively, etc.)

[Development of the framework for the internal control system]

1. The Company has developed the necessary framework to ensure thorough risk management and compliance, and established a Risk / Compliance Committee with the aim of ensuring the appropriateness of business operations through the promotion of risk management and compliance initiatives. The Risk / Compliance Committee and its secretariat, the Risk Management Office, work to further raise awareness of compliance among officers and employees of the Company and major subsidiaries, while striving to ascertain current conditions, recognize issues, and implement improvements. In addition, reports on emergencies submitted each month by major subsidiaries are shared with Company officers and executive officers who serve as directors of the respective subsidiaries, thereby enabling early awareness of matters that may not be reported at each Group company's Board of Directors. In parallel, the Company works to prevent recurrence and improve effectiveness by sharing information on such matters both among relevant departments within the Company and across the Group companies.
2. To ensure thorough ethical compliance, the Company has established the HIS Group Code of Conduct, which serves as guiding principles for the actions of Group employees within society. The Company aims to always act with the highest ethical sense and sincerity in accordance with this philosophy, while complying with all relevant laws and international rules. To ensure thorough ethical compliance, the Company has made the HIS Group Code of Conduct available on its corporate website and internal portal site, and encourages its employees to review it and be reminded of it in their daily work.
3. The Board of Directors makes important business execution decisions through its resolutions and in accordance with laws and regulations, the Articles of Incorporation, and internal regulations. It also receives reports on the business execution status of each director and the performance of major Group companies. This important information, including board decisions and reports, is being appropriately retained, recorded, and managed by those departments with authority and responsibility in accordance with laws, regulations, and timely disclosure rules of the financial instruments exchange. In the event information is determined to be useful for shareholders and investors in making appropriate investment decisions, the Company makes efforts to provide appropriate disclosure.
4. The Company conducts training programs for its directors and executive officers to enhance their information security awareness. It will continue to investigate the management status and regulations of all Group companies and, if deemed necessary, implement improvements in order to establish security standards and system development/operation standards for the Group as a whole.
5. The Risk / Compliance Committee, through its activities, implements compliance measures within the Group, and aims to enhance compliance awareness. Its Risk Management Office, which acts as the secretariat, also serves as a contact point for reporting and consulting on suspected cases of noncompliance by officers or employees of a subsidiary. In addition, the Committee is designing systems to help top management promote compliance and ensure compliance progress is reflected in the evaluation and treatment of the management team.
6. With regard to internal control measures to ensure the reliability of financial reporting as required by the Financial Instruments and Exchange Act, the Company evaluates internal controls in accordance with the scope defined by resolutions of its Board of Directors, while considering the importance of their impact on the appropriateness and reliability of financial reporting.

7. The Audit & Supervisory Committee, which utilizes the internal control and other systems, engages in regular exchanges of opinions with the representative director, directors responsible for the execution of business operations, and the accounting auditor. In conducting audits, the Committee aims to work closely with the Audit Department (the department responsible for internal audit) and strives to ensure the effectiveness of audits conducted by the Committee.

In addition to the items above, the Company also reviews various procedures in accordance with actual business operations.

(II) Risk management system and status

Matters that may negatively impact business results, financial condition, stock price, and other aspects of the Company and Group businesses are described in “3. Business and Other Risks” under “II. Business Overview, Part I Information on the Company.”

Full-time executive directors working at the Group headquarters use opportunities, such as internal business meetings held several times a week, to identify risks that may occur, and strive to improve risk management based on the internal control framework.

(III) Summary of agreement (limited liability agreement) between the Company and its directors (excluding executive directors, etc.) or its accounting auditor, stipulated in Article 427, Paragraph 1 of the Companies Act

The two outside directors who are not members of the Audit & Supervisory Committee and all three directors who are members of the Audit & Supervisory Committee are non-executive directors. The Company has concluded agreements with these officers to limit their liability for damages as prescribed in Article 423, Paragraph 1 of the Companies Act pursuant to the provision in Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability under these agreements is the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act.

(IV) Summary of directors and officers liability insurance policy concluded by directors and other officers as insured persons

The Company has entered into a directors and officers liability insurance policy as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The policy covers directors, Audit & Supervisory Committee members, and executive officers of the Company and its subsidiaries under the Companies Act as insured persons, and the insurance premiums are fully borne by the Company. The policy stipulates that the insurance company will cover damages that may be incurred by the insured persons from liabilities assumed in connection with the execution of their duties, or in the event they receive a claim that seeks to hold them liable. It will be renewed each year. The Company plans to renew the policy with the same content at the next renewal date.

(V) Number of directors

As stipulated in the Company’s Articles of Incorporation, the number of directors shall not exceed 16, of which no more than four shall be directors serving as members of the Audit & Supervisory Committee.

(VI) Requirements for a resolution to appoint directors

As a company with an Audit & Supervisory Committee, directors who serve as members of the Audit & Supervisory Committee and other directors are elected separately at the General Meeting of Shareholders. According to the Company’s Articles of Incorporation, for both categories of directors, “a resolution of election shall be attended by shareholders holding shares representing one-third or more of total number of voting rights of shareholders who may exercise voting rights, and shall be adopted by a majority of the voting rights,” and in addition, “election shall not depend on cumulative voting.”

(VII) Year-end dividend and interim dividend

a) Year-end dividend

To enable the Company to maintain flexible capital and dividend policies, the Company’s Articles of Incorporation prescribe that “matters specified in the items of Article 459, Paragraph 1 of the Companies Act, including those related to the payment of dividends, may be decided by the Board of Directors unless otherwise stipulated by laws and regulations.” However, this provision does not exclude resolutions at the General Meeting of Shareholders.

b) Interim dividend

Based on Article 454, Paragraph 5 of the Companies Act, the Company’s Articles of Incorporation stipulate that “through a resolution by the Board of Directors, shareholders listed on the final shareholders registry and registered pledgees as of April 30th each year are able to receive an interim dividend.” The purpose of this provision is to enable the return of profits to shareholders flexibly in accordance with profit levels.

(VIII) Acquisition of treasury shares

Based on Article 165, Paragraph 2 of the Companies Act, the Company’s Articles of Incorporation stipulate that “the Company may, by resolution of the Board of Directors, acquire its own shares through market transactions or other means.” The purpose of this provision is to allow for flexible implementation of capital policies in response to changes in the business environment. When making decisions regarding the acquisition of its own shares, the Board of Directors comprehensively evaluates earnings trends and other aspects of business performance, future performance projections, basic capital policies, etc. from the standpoint of continuously enhancing corporate value and ensuring appropriate shareholder returns.

(IX) Director and accounting auditor's partial exemption from liability for damages

In regard to liability for damages incurred by the Company due to the negligence of its directors (including former directors) or the accounting auditor (including former accounting auditors), based on Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation stipulate that "subject to a resolution of the Board of Directors, exemption from liability is possible to the extent permitted by the laws and regulations." The purpose of this provision is to create an environment in which directors and the accounting auditor are able to make sufficient use of their capabilities and fulfill the roles expected of them.

(X) Special resolution at the General Meeting of Shareholders

In regard to the resolution requirement for special resolution at the General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act, the Company stipulates in its Articles of Incorporation that "a special resolution of the General Meeting of Shareholders shall be attended by shareholders holding shares representing one-third or more of the total number of voting rights of shareholders who may exercise voting rights, and shall be adopted by two-thirds or more of the voting rights." The purpose of this provision is to relax the requirements for a quorum for special resolutions of the General Meeting of Shareholders so that these meetings can be operated smoothly.

(Y) Activity of the Board of Directors, Human resources / Nomination Committee, and Compensation Committee

a. Activity of the Board of Directors

The Board of Directors selects, deliberates, and decides on resolution items based on statutory requirements, the Articles of Incorporation, and internal regulations, and confirms and reviews the establishment of internal controls. In the fiscal year under review, the activity of the Board of Directors was as follows.

	Title	Name	Attendance	Notes
Chair	CEO	Yada Motoshi	100% (13 meetings held, 13 attended)	
Member	Senior Managing Director	Nakamori Tatsuya	100% (13 meetings held, 13 attended)	
Member	Managing Director	Oda Masayuki	100% (13 meetings held, 13 attended)	
Member	Director and Senior Executive Officer	Yamanobe Atsushi	100% (13 meetings held, 13 attended)	
Member	Director and Senior Executive Officer	Gomi Mutsumi	100% (13 meetings held, 13 attended)	
Member	Director and Senior Executive Officer	Sawada Hidetaka	100% (13 meetings held, 13 attended)	
Member	Outside Director	Owada Junko	100% (13 meetings held, 13 attended)	
Member	Outside Director	Kagawa Shingo	100% (13 meetings held, 13 attended)	
Member	Outside Director	Kaneko Hiroto	100% (3 meetings held, 3 attended)	
Member	Director and Top Adviser	Sawada Hideo	100% (3 meetings held, 3 attended)	Retired on January 25, 2024
Member	Outside Director and Member of the Audit & Supervisory Committee	Umeda Tsunekazu	100% (3 meetings held, 3 attended)	Retired on January 25, 2024
Member	Outside Director and Member of the Audit & Supervisory Committee	Nabeshima Atsushi	100% (13 meetings held, 13 attended)	
Member	Outside Director and Member of the Audit & Supervisory Committee	Kaneko Hiroto	92.3% (13 meetings held, 12 attended)	
Member	Director and Full-time Member of the Audit & Supervisory Committee	Sekita Sonoko	100% (13 meetings held, 13 attended)	

(Note) In addition to the number of Board of Directors meetings held as shown above, there were seven written resolutions deemed equivalent to those of Board of Directors meetings.

During the fiscal year under review, the Board of Directors deliberated on specific matters, including a progress review and rolling updates of the medium-term management plan, financial strategy, promotion of sustainability, governance and risk management, investment and financing projects, and the formulation of a successor development plan. In addition, feedback from investor relations activities, business performance reports from subsidiaries and associates, and other related matters were shared.

The details of the successor development plan resolved at the Board of Directors meeting held on October 25, 2024 are as follows.

[Successor development plan]

(1) Purpose of formulating a successor plan for the chief executive officer (CEO) and other positions

The HIS Group aims to achieve sustainable growth and enhance corporate value over the medium to long term. Based on its founding spirit, the Group believes that developing executives who can drive business growth is essential to contributing to the creative development of humanity and world peace and to realizing the HIS Group Purpose—Unleash your feeling “KOKORO ODORU.” In accordance with management judgment rooted in the HIS Group Philosophy, the Group is advancing its successor development plan by defining the qualities required of successor candidates for the CEO and directors. These candidates must be capable of making decisions in response to the accelerating pace of change in the management environment, technological innovation, and market trends, while maintaining a diverse management structure unrestricted by nationality, race, gender, age, or other attributes.

(2) Human resource requirements for CEO and director candidates: “Three capabilities”

(i) Core strength: “Ability to connect vision and philosophy to the next generation”

Human resources who aspire to build a company that will last 100 years, who have high aspirations, who set short-, medium-, and long-term management visions, who manage the Company to realize those visions, and who can connect the philosophy that has been passed down since the Company’s founding to the next generation.

(ii) Conceptual ability: “Ability to conceive corporate management and strategies that contribute to the progress of society”

Human resources with a global perspective who can conceive corporate strategies that contribute to the progress of society, the creative development of humanity, and world peace, and who can lead management.

(iii) Ability to realize: “Ability to value human resources and realize strategic concepts”

The source of value creation generated through corporate activities is “human resources.” Human resources are people who foster the “spirit of challenge” of each individual, maximize their strengths and diverse individuality, train successors who will lead the next generation, are respected by others as managers, discipline themselves, demonstrate fairness, openness, and sincerity in their actions, and continue to realize strategic concepts.

(3) Process for the selection of the CEO and directors

(i) Based on advice from founder Sawada Hideo, the current CEO prepares an initial list of candidates for the next CEO and directors.

(ii) This draft is discussed at the Talent Development Meeting (members: founder Sawada Hideo, the CEO, and outside directors).

(iii) Further deliberation is conducted by the Human resources / Nomination Committee.

(iv) Final deliberation and appointments are made by the Board of Directors.

(4) Training for next-generation CEO and director candidates

(i) Based on the “three core strengths”—required qualities for CEO and director candidates—outlined in (2) above, candidates are selected, and training and strategic rotational assignments are promoted in line with individual development challenges.

(ii) Training content includes curricula on vision and strategic thinking, management strategy, marketing, technology, financial accounting, and relevant laws and regulations, as well as leadership development programs using 360-degree surveys focused on executive leadership behavior.

(iii) The Talent Development Meeting is held regularly as part of the PDCA cycle mainly to monitor successor candidates, promote their strategic rotational assignments, and consider the introduction of new training programs tailored to their individual development challenges, thereby building and advancing a talent development framework that enables the nomination of optimal successors in response to changes in the business environment.

b. Activity of the Human resources / Nomination Committee

In the fiscal year under review, the activity of the Human resources / Nomination Committee was as follows.

	Title	Name	Attendance	Notes
Chair	CEO	Yada Motoshi	100% (8 meetings held, 8 attended)	
Member	Senior Managing Director	Nakamori Tatsuya	100% (8 meetings held, 8 attended)	
Member	Managing Director	Oda Masayuki	100% (4 meetings held, 4 attended)	Member until January 25, 2024
Member	Director and Senior Executive Officer	Sawada Hidetaka	100% (8 meetings held, 8 attended)	
Member	Outside Director	Owada Junko	100% (4 meetings held, 4 attended)	Member from January 26, 2024
Member	Outside Director and Member of the Audit & Supervisory Committee	Umeda Tsunekazu	100% (4 meetings held, 4 attended)	Member until January 25, 2024
Member	Outside Director and Member of the Audit & Supervisory Committee	Nabeshima Atsushi	100% (8 meetings held, 8 attended)	
Member	Outside Director and Member of the Audit & Supervisory Committee	Kaneko Hiroto	100% (4 meetings held, 4 attended)	Member from January 26, 2024

During the Human resources / Nomination Committee meetings in the fiscal year under review, specific discussions were held regarding the nomination of candidates for director and auditor positions of the HIS Group, as well as the nomination and appointment of candidates for executive officer positions of the HIS Group.

c. Activity of the Compensation Committee

In the fiscal year under review, the activity of the Compensation Committee was as follows.

	Title	Name	Attendance	Notes
Chair	CEO	Yada Motoshi	100% (7 meetings held, 7 attended)	
Member	Senior Managing Director	Nakamori Tatsuya	100% (4 meetings held, 4 attended)	Member until January 25, 2024
Member	Managing Director	Oda Masayuki	100% (7 meetings held, 7 attended)	
Member	Director and Senior Executive Officer	Sawada Hidetaka	100% (7 meetings held, 7 attended)	
Member	Outside Director	Owada Junko	100% (3 meetings held, 3 attended)	Member from January 26, 2024
Member	Outside Director	Umeda Tsunekazu	100% (4 meetings held, 4 attended)	Member until January 25, 2024
Member	Outside Director	Nabeshima Atsushi	100% (7 meetings held, 7 attended)	
Member	Outside Director and Member of the Audit & Supervisory Committee	Kaneko Hiroto	100% (3 meetings held, 3 attended)	Member from January 26, 2024

During the Compensation Committee meetings in the fiscal year under review, specific discussions were held regarding the evaluation of remuneration linked to the performance of the HIS Group, and determinations and proposals of amounts to be paid.

(2) Directors and Other Officers

1) Status of directors and other officers (as of the filing date of this Annual Securities Report)

Male: nine, Female: two (percentage of female directors 18.2%)

Title	Name	Date of birth	Career summary		Term of office	Share ownership (thousands)
President, Representative Director, and Chief Executive Officer (CEO); In charge of Corporate Planning and Human Resources	Yada Motoshi	July 25, 1961	Aug. 1993 May 2000 Sep. 2001 Nov. 2005 Jan. 2020 Apr. 2021 Mar. 2022 Feb. 2023 Nov. 2024	Joined the Company Manager of HQ President's Office Manager of HQ HR Division President and Representative Director of Kyushu Industrial Transportation Co., Ltd. (currently KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.) Director of the Company Director and Senior Executive Officer of the Company Director and Chairman of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. (current) President and Chief Operating Officer (COO) of the Company President and Chief Executive Officer (CEO) of the Company President and CEO of the Company; In charge of Corporate Planning and Human Resources (current)	(Note) 2	13
Senior Managing Director; In charge of Domestic Affiliates and Promotion of Tourism Industry	Nakamori Tatsuya	August 4, 1967	Nov. 1986 Jan. 2010 Mar. 2014 Nov. 2016 Jan. 2018 Apr. 2022 Nov. 2024	Joined the Company Director of the Company; In charge of West Japan Area Sales Managing Director of the Company; In charge of Airline-related Purchasing/Arrangement and Online Travel Business Managing Director of the Company; President of HIS Japan Director and Senior Managing Executive Officer of the Company; President of HIS Japan Senior Managing Director of the Company; In charge of Inbound Business Strategy President and Representative Director of Japan Holiday Travel Co., Ltd. (current) Senior Managing Director of the Company; In charge of Domestic Affiliates and Promotion of Tourism Industry (current)	(Note) 2	34
Managing Director; In charge of Global Business Strategy, Accounting, Finance, and M&A	Oda Masayuki	January 1, 1966	Jun. 1996 Mar. 2014 Jan. 2016 Nov. 2016 Feb. 2018 Apr. 2022 Nov. 2024	Joined the Company Executive Officer of the Company; General Manager of Kansai Area Sales Division Director of the Company; General Manager of Kansai Area Sales Division Director of the Company; Vice President of HIS Japan Director and Managing Executive Officer of the Company; In charge of Corporate Planning Division, Global Business Strategy Division, and Global System Development Division; General Manager of Affiliate Management Division Managing Director of the Company; In charge of Group Strategy, Affiliates, and M&A Managing Director of the Company; In charge of Global Business Strategy, Accounting, Finance, and M&A (current)	(Note) 2	12
Director; President of HIS Japan	Yamanobe Atsushi	March 18, 1970	Apr. 1993 Mar. 2014 Jan. 2016 Nov. 2016 Mar. 2018 Apr. 2022 Oct. 2022 Nov. 2024	Joined the Company Executive Officer of the Company; Manager of Kanto Sales Division; Manager of Kanto Web Business Division; Manager of Kanto Corporate Sales and Group Travel Division Director of the Company; In charge of East Japan Area Sales Director of the Company; Vice President of HIS Japan; General Manager of Kansai Area Sales Division Director and Senior Executive Officer of the Company; Vice President of HIS Japan; General Manager of Corporate Travel Sales Division Director and Senior Executive Officer of the Company; General Manager of Corporate Sales Division; In charge of New Business Strategy Director and Senior Executive Officer of the Company; General Manager of Corporate Sales Division Director of the Company; President of HIS Japan (current)	(Note) 2	10

Title	Name	Date of birth	Career summary	Term of office	Share ownership (thousands)
Director; In charge of New Business Strategy, Risk and Compliance, Customer Satisfaction (CS), Employee Satisfaction (ES), and General Affairs	Gomi Mutsumi	June 6, 1968	Apr. 1992 Joined the Company Jan. 2016 Executive Officer of the Company; Head of Jakarta Central Branch Jan. 2018 Director and Senior Executive Officer of the Company; General Manager of Southeast Asia Central Sales Division Nov. 2018 Director and Senior Executive Officer of the Company; Chief Information Officer; In charge of Southeast and South Asia Oct. 2022 Director and Senior Executive Officer of the Company; In charge of New Business Strategy Nov. 2024 Director of the Company; In charge of New Business Strategy, Risk and Compliance, Customer Satisfaction (CS), Employee Satisfaction (ES), and General Affairs (current)	(Note) 2	9
Director, Senior Executive Officer; Vice President of HIS Japan; In charge of Information Systems and DX Promotion; Chief Information Security Officer; General Manager of Domestic Travel Sales Division; General Manager of Investment Strategy Division	Sawada Hidetaka	November 2, 1981	Apr. 2005 Joined Nikko Cordial Securities Inc. (currently SMBC Nikko Securities Inc.) Mar. 2012 Representative Director and President of Bestone.com Co., Ltd. Jul. 2016 Representative Director and President of Fivestar Cruise Co., Ltd. (current) Jan. 2019 Representative Director of Ebisu Ryokan K.K. (current) Jan. 2020 Director of the Company Apr. 2022 Director and Senior Executive Officer of the Company; In charge of Domestic Travel Business Strategy Representative Director and Chairman of Bestone.com Co., Ltd. (current) Mar. 2023 Director and Senior Executive Officer of the Company; In charge of Individual Travel Business Strategy and Domestic Travel; Head of Investment Strategy Division Nov. 2024 Director and Senior Executive Officer of the Company; Vice President of HIS Japan; In charge of Information Systems and DX Promotion; Chief Information Security Officer; General Manager of Domestic Travel Sales Division; General Manager of Investment Strategy Division (current)	(Note) 2	657
Outside Director (Note) 1	Owada Junko	August 31, 1965	Apr. 1989 Joined Nippon Telegraph and Telephone Corporation (currently NTT Communications Corporation) Aug. 2001 Joined Recruit Group Co., Ltd., HR Measurement Institute Apr. 2009 Executive Officer, Recruit Management Solutions Co., Ltd. Apr. 2013 Executive Officer, Recruit Career Co., Ltd. Jul. 2016 Fellow, Recruit Career Co., Ltd. Advisor, Tokyo Ichiban Foods Co., Ltd. (current) Apr. 2017 Professional Contract, HR, Hitachi, Ltd. (current) May 2021 Outside Director, AEON MALL Co., Ltd. (current) Jan. 2023 Outside Director of the Company (current) Jun. 2024 Outside Director, Daito Trust Construction Co., Ltd. (current)	(Note) 2	2
Outside Director (Note) 1	Kagawa Shingo	March 8, 1958	Apr. 1981 Joined Fujitsu Limited Apr. 2012 Executive Officer, General Manager of Network Service Business Division, and General Manager of Video Network Service Business Division, Fujitsu Limited Apr. 2015 Managing Executive Officer, Deputy General Manager of Integration Service Division, Fujitsu Limited Apr. 2016 Senior Managing Executive Officer/CTO, General Manager of Digital Services Division, Fujitsu Limited Apr. 2018 President and Representative Director, Fujitsu Research Institute May 2020 Outside Director, Furuno Electric Co., Ltd. (current) Oct. 2020 President and Representative Director, DigiIT Co., Ltd. (currently SS Technologies Co., Ltd.) Oct. 2021 Director and Chairman, SS Technologies Co., Ltd. May 2022 Outside Director, MINISTOP Co., Ltd. (current) Jan. 2023 Outside Director of the Company (current)	(Note) 2	1

Title	Name	Date of birth	Career summary	Term of office	Share ownership (thousands)
Outside Director, Audit & Supervisory Committee Member (Note) 1	Nabeshima Atsushi	August 2, 1946	Jul. 1969 Joined Tokio Marine & Fire Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.) Jul. 1995 Director, General Manager of Operation Department, Tokio Marine Medical Service Co., Ltd. Jul. 2001 Compliance Officer, Tokio Marine & Nichido Life Insurance Co., Ltd. Jun. 2003 Director, HABA Laboratories, Inc.; In charge of Product Development and Medical-related Business Jan. 2007 Director, HABA Laboratories, Inc.; In charge of General Affairs, Human Resources, and Accounting Dec. 2007 Representative Director and President, Shinshu Pharmaceutical, Inc. Jun. 2019 Executive Director, Showa Kaikan Jan. 2021 Outside Director and Audit & Supervisory Committee Member of the Company (current) Jun. 2021 Director General, Showa Kaikan (current)	(Note) 3	1
Outside Director, Audit & Supervisory Committee Member (Note) 1	Kaneko Hiroto	February 26, 1957	Apr. 1980 Joined Arthur Andersen Accounting Office (currently KPMG AZSA LLC) Mar. 1983 Registered as a certified public accountant Jun. 1988 Seconded to Arthur Andersen Germany Duesseldorf Office Sep. 1999 Partner, Arthur Andersen (currently KPMG) Jul. 2000 Representative Partner, Asahi Audit Corporation (currently KPMG AZSA LLC) Jun. 2005 Deputy General Manager, IFRS Division, KPMG AZSA LLC Jul. 2010 Director, Headquarters, KPMG AZSA LLC Jul. 2015 Managing Director, KPMG AZSA LLC Jul. 2021 Director, Hiroto Kaneko Certified Public Accountant Office (current) Mar. 2022 Outside Director and Audit and Supervisory Committee Member of Doctorbook INC. Jan. 2023 Outside Director of the Company Jun. 2023 Outside Director, Audit & Supervisory Committee Member of Nisshin Seifun Group Inc. (current) Outside Director, Audit and Supervisory Committee Member of PayPay Corporation (current) Jan. 2024 Outside Director and Audit & Supervisory Committee Member of the Company (current)	(Note) 3	—
Director, Full-time Audit & Supervisory Committee Member	Sekita Sonoko	July 23, 1965	Feb. 1988 Joined the Company May 2000 Assistant Manager, Accounting Department, Kanto Area Sales Division Apr. 2008 Accounting Group Leader, HQ Accounting Division Dec. 2012 Seconded to H.I.S. MANAGEMENT SERVICES SDN.BHD. as Director and Manager of Accounting Jan. 2015 Full-time Corporate Auditor of the Company Jan. 2016 Director and Full-time Audit & Supervisory Committee Member of the Company (current)	(Note) 3	25
			Total		764

(Notes) 1. Directors Owada Junko and Kagawa Shingo, and Directors and Audit & Supervisory Committee Members Nabeshima Atsushi and Kaneko Hiroto are outside directors.
2. Term of office extends until the conclusion of the Ordinary General Meeting of Shareholders for the last business year within one year from the appointment at the Ordinary General Meeting of Shareholders held on January 29, 2025 (with appointment to take effect upon the conclusion of the adjourned meeting of the General Meeting of Shareholders).
3. Term of office extends until the conclusion of the Ordinary General Meeting of Shareholders for the last business year within two years from the conclusion of the Ordinary General Meeting of Shareholders held on January 25, 2024.
4. The Company has instituted an executive officer system with the aim of enhancing the business execution structure. Names and positions of executive officers (excluding executive officers who concurrently serve as directors) are as follows.

Position		Name
Executive Officer	General Manager of Information System Division and DX Promotion Division	Takano Kiyoshi
Executive Officer	President & CEO of HIS Design and Plus Co., Ltd.	Fukushima Ken
Executive Officer	President & CEO of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.	Iwama Yuji
Executive Officer	General Manager of Overseas Business Division and President & CEO of H.I.S. CANADA HOLDINGS INC.	Hatano Hideo
Executive Officer	General Manager of Outbound Travel Sales Division	Arita Kozo
Executive Officer	Director and Executive Officer of H.S. Insurance Co., Ltd. and General Manager of Finance & Accounting Dept.	Kataoka Yuka
Executive Officer	President of North, Central and South American, Hawaii, and Micronesia Regional Company	Oda Konosuke
Executive Officer	President & CEO of Miki Tourist Co., Ltd.	Hine Katsumi
Executive Officer	General Manager of Accounting and Finance Division	Hanazaki Osamu
Executive Officer	Head of Corporate Planning Office and General Manager of Affiliate Management Division	Segawa Katsu
Executive Officer	General Manager of Central and South America Division and General Manager of Mexico Subsidiary	Kumamoto Tomohisa
Executive Officer	Director and CEO of GROUP MIKI HOLDINGS LIMITED and President of Europe, Middle East and Africa Regional Company	Fukui Shigeru
Executive Officer	President of Asia and Oceania Regional Company	Tsuda Norikazu
Executive Officer	General Manager of HR Division	Akao Shohei

At the Board of Directors meeting held on January 29, 2025, the Company resolved to appoint the following individual as an executive officer, effective February 1, 2025.

Executive Officer	General Manager of Inbound Travel Sales Division	Hirasawa Atsushi

2) Basic thinking on the number and appointment status of outside directors; standards and policies regarding independence of outside directors (at the conclusion of the adjourned meeting of the 44th Ordinary General Meeting of Shareholders)

a) Basic thinking on the number and appointment status of outside directors

At present, the Company has four outside directors, two of whom have been appointed as members of the Audit & Supervisory Committee (directors serving as members of the Audit & Supervisory Committee). In addition, the Company has appointed two directors not serving as members of the Audit & Supervisory Committee.

Outside Director and Audit & Supervisory Committee Member Nabeshima Atsushi has extensive experience and knowledge gained mainly by participating in the organizational management of Tokio Marine & Fire Insurance Co., Ltd., a large traditional company, and the management of HABA Laboratories, Inc., a venture-type listed company. He has been appointed as a director and member of the Audit & Supervisory Committee because he is expected to provide advice and suggestions related to the management of the Company from an independent and objective perspective, drawing on his deep insight in corporate ethics and corporate governance, and to fulfill the responsibilities of the Audit & Supervisory Committee.

Outside Director and Audit & Supervisory Committee Member Kaneko Hiroto has cultivated a global perspective at Arthur Andersen Accounting Office, and gained extensive experience and a wealth of knowledge in auditing and accounting over many years working as a certified public accountant, including by handling various corporate issues. He has participated in management as a member of corporate management, and accordingly possesses expertise as a manager. He has been appointed as a director and member of the Audit & Supervisory Committee because he is expected to provide advice and suggestions related to the management of the Company from an independent and objective perspective, drawing on the aforementioned experience and achievements, and to fulfill the responsibilities of the Audit & Supervisory Committee.

Outside Director Owada Junko has accumulated diverse experience during her tenure at Nippon Telegraph and Telephone Corporation (now NTT Communications Corporation), where she worked in a variety of departments including the Corporate Planning Department of a branch office, the Public Relations Department of a branch office, the International Department at headquarters, and the Human Resources Department. At Recruit, she was involved in work related to HR solutions, including system development. While she has not directly participated in company management in roles other than as an outside officer, she possesses deep expertise in areas such as human resource recruitment, training, and IT. In addition, she has extensive business experience and insight, having served as an advisor and outside director at listed companies. She has been appointed as an outside director because her experience and achievements are expected to contribute to the decision-making of the Board of Directors of the Company, the expansion of the business domains and global development of the HIS Group, and the sustainable growth and enhancement of its corporate value.

Outside Director Kagawa Shingo has many years of experience promoting network services and digital services at Fujitsu Limited, and possesses deep insight into information and communication technology (ICT) and digital transformation (DX). He has participated in the management of Fujitsu Research Institute as representative director, and has a wealth of experience and insight as a manager. He has been appointed as an outside director because his experience and achievements are expected to contribute to the decision-making of the Board of Directors of the Company, the expansion of the business domains and global development of the Group, and the sustainable growth and enhancement of its corporate value.

All of the Company's current outside directors satisfy the independence requirement stipulated by the Tokyo Stock Exchange's (TSE) provision on independent directors. With the consent of these individuals, the Company designated them as independent directors and submitted an Independent Director Notification to the TSE.

b) Details on standards and policies regarding independence of outside directors

Based on the requirements for outside directors stipulated in the Companies Act and independence standards stipulated by the Tokyo Stock Exchange, the Company applies the following conditions (the amendment or elimination of which is based on a resolution of the Board of Directors) to determine whether the relevant outside directors is independent. At present, the Company has four outside directors, all of whom satisfy these conditions:

i) The individual is not at present, nor has never in the past been an executive director, corporate officer, executive officer, or employee (hereinafter, the “Business Executor”) of the Company, its subsidiaries, or associates (the “Group”)

ii) The individual is not a major shareholder (a shareholder listed among the top ten shareholders on the latest shareholder registry or a shareholder with a ratio of 10% or more of the total voting rights), nor does not currently belong to an organization that is a major shareholder

iii) The individual is not a Business Executor of a company, of which the Group is a major shareholder (a shareholder listed among the top ten shareholders on the latest shareholder registry or a shareholder with a ratio of 10% or more of the total voting rights)

iv) The individual is not a person belonging to a business partner engaged in transactions with the Group (totaling 2% of consolidated net sales of either party per year) in the three most recent fiscal years

v) The individual is not a Business Executor of a financial institution that is a major lender to the Group (lender of an amount equivalent to 2% or more of the Company’s consolidated total assets)

vi) The individual is not a Business Executor of the Group’s leading brokerage firm

vii) The individual is not a consultant, accounting expert, or legal expert who has obtained cash or other asset gains of 10 million yen or more on average in a single fiscal year other than officer remuneration from the Company, nor an accounting auditor or contracted adviser of the Company (if a corporation, association or group, the person belonging to said organization) in the three most recent fiscal years

viii) The individual is not a person currently belonging to a non-profit organization that has received from the Company a contribution amounting to 2% or more of its total income or ordinary profit in the three most recent fiscal years

ix) If the individual has a history of belonging to an organization or business partner indicated in (ii) to (viii) above, he/she must be retired from said organization or business partner for three or more years

x) The individual is not a spouse or a relative within the second degree of kinship of (ii) to (ix) above

xi) In addition to the above, those with special circumstances preventing them from fulfilling their duties as outside directors with independence, including possible conflicts of interest with the Company, etc.

3) Status of cooperation between outside directors and departments responsible for internal audit

As members of the Board of Directors, the Company’s two outside directors who are members of the Audit & Supervisory Committee supervise the execution of duties by directors. As members of the Audit & Supervisory Committee, they exchange opinions and communicate with directors, departments responsible for internal audit, and departments responsible for internal control in accordance with audit policies, standards, and plans defined by the Committee itself. Furthermore, in addition to gathering information, they maintain mutual cooperation with the accounting auditor and engage in systematic auditing utilizing the internal control system.

4) Personal, capital, business, or other relationships of interest between outside directors and the Company

a) Relationship of interest between Nabeshima Atsushi and the Company

There are no personal, capital, business, or other relationships of interest between Nabeshima Atsushi and the Company. The status of Company shareholdings by Nabeshima Atsushi is listed under “1) Status of directors and other officers.”

b) Relationship of interest between Kaneko Hiroto and the Company

There are no personal, capital, business, or other relationships of interest between Kaneko Hiroto and the Company. The status of Company shareholdings by Kaneko Hiroto is listed under “1) Status of directors and other officers.”

c) Relationship of interest between Owada Junko and the Company

There are no personal, capital, business, or other relationships of interest between Owada Junko and the Company. The status of Company shareholdings by Owada Junko is listed under “1) Status of directors and other officers.”

d) Relationship of interest between Kagawa Shingo and the Company

There are no personal, capital, business, or other relationships of interest between Kagawa Shingo and the Company. The status of Company shareholdings by Kagawa Shingo is listed under “1) Status of directors and other officers.”

(3) Status of Audits

1) Audits by the Audit & Supervisory Committee

(I) Audit & Supervisory Committee organization and personnel

The Audit & Supervisory Committee consists of three directors serving as members of the Audit & Supervisory Committee, including two outside directors. One member is appointed as a full-time member of the Audit & Supervisory Committee, and all members are designated as Appointed Audit & Supervisory Committee Members pursuant to Article 399-3, Paragraph 1 of the Companies Act.

Full-time Audit & Supervisory Committee Member Sekita Sonoko has considerable knowledge of accounting, finance, and related matters, developed through many years of experience in the accounting departments of the Company and its overseas regional headquarters. Outside Director Kaneko Hiroto is a certified public accountant and has considerable knowledge of finance and accounting. Outside Director Nabeshima Atsushi has work experience and professional expertise as a compliance officer at financial institutions and other organizations. He possesses extensive knowledge of overall corporate management through his service as a representative of business corporations and incorporated associations.

The Audit & Supervisory Committee Office, which assists the Committee in executing its duties, is established within the Audit & Supervisory Committee organization. Employees assigned to support the professional duties of the Audit & Supervisory Committee are selected and are placed in the Audit & Supervisory Committee Office based on consent of the members of the Audit & Supervisory Committee.

In addition, employees from the internal audit, accounting, legal affairs, and other related departments assist the Audit & Supervisory Committee in executing its duties as necessary. The Audit & Supervisory Committee maintains the exclusive authority to direct, command, and supervise the business duties of employees placed in the Audit & Supervisory Committee Office, and the Committee's opinions and intentions are fully respected and appropriately reflected in personnel-related matters such as evaluation and transfer of such employees.

(II) Overview of Audit & Supervisory Committee meetings

The Audit & Supervisory Committee holds a regular monthly meeting that lasts 45 minutes on average and extraordinary meetings whenever necessary. During the fiscal year under review, all members of the Audit & Supervisory Committee attended all meetings held during their respective terms of office. The attendance record of each member was as follows.

Name (full-time/outside classification)	Number of meetings	Attendance rate during term of office
Sekita Sonoko (Full-time)	13	100%
Nabeshima Atsushi (Outside)	13	100%
Kaneko Hiroto (Outside)	10	100%

[Specific topics discussed by the Audit & Supervisory Committee in the fiscal year under review] (Including important matters related to the fiscal year under review)

・Formulation of audit policy and annual audit plan, and implementation of the PDCA cycle
・Interviews with directors and officers, or sharing of reports on such activities by the full-time member of the Audit & Supervisory Committee
・Exchanges of opinion with the president and representative director
・Confirmation of progress against the medium-term management plan
・Exchanges of opinion with outside directors
・Deliberations on key audit matters (KAMs) with the accounting auditor
・Examination of items to evaluate the effectiveness of the Board of Directors, and evaluation of results
・Information exchange and fact-finding at Group Company Audit & Board members meetings
・Evaluation of the effectiveness of the Audit & Supervisory Committee, and examination of issues to be addressed in the next fiscal year
・Determination of "the policies and procedures for obtaining preliminary approval from the Audit & Supervisory Committee regarding the provision of non-assurance services by the accounting auditor, etc." and "agreement regarding comprehensive operations subject to preliminary approval regarding non-assurance services by the accounting auditor, etc.," and approval of individual matters outside the comprehensive scope
・Assessment of year-end proposals related to personnel matters and remuneration
・Receipt of audit report and related materials from the accounting auditor
・Evaluation of the accounting auditor, assessment of appropriateness of reappointment, and consent to remuneration
・Receipt and audit of financial statements, approval of the business report, and preparation of the audit report
・Audit of proposals submitted to the Ordinary General Meeting of Shareholders and audit of the preparation and execution of the meeting
・Assessment of the appropriateness of the investigation related to improper receipt of employment adjustment subsidies

(III) Audit procedures, etc.

Audit by the Audit & Supervisory Committee is fundamentally an organizational audit utilizing the internal control system. The Committee follows the audit policies, standards, and plans, which it defines on its own; communicates with directors, departments responsible for internal audit, and departments responsible for internal control through opinion exchanges; collects relevant information; and maintains mutual cooperation with the accounting auditor, with the intent to conduct Audit & Supervisory Committee audits effectively.

The full-time member of the Audit & Supervisory Committee obtains information through participation in important meetings, including those of Group subsidiaries and associates, and through interviews with directors, executive officers, division heads, and others. In addition to oral reports at regular meetings of the Audit & Supervisory Committee, this information is also promptly shared via email or other methods as necessary, and appropriate responses are considered.

[Specific audit activities, etc.]

Activity type	Items/description	Main/important issues raised, etc.
Participation in important meetings	Weekly meetings with full-time directors and executive officers	Reporting on progress by business, sharing of issues
	Group company management meetings, etc.	Sharing of sales conditions and problem handling
	Annual groupwide meeting	Annual report, sharing of next-year plan and strategy
Exchange of opinions with directors, executive officers, general managers, etc.	Progress with annual plan Initiatives related to management challenges Execution of duties by directors and executive officers, etc.	Achievement probability versus plan, causes for shortfalls against targets, and reflection and improvement; decision-making processes related to effectiveness and midway changes to plan; initiatives to resolve isolated or systematic issues, etc.
Interviews with subsidiaries and associates	Market environment and progress with annual and medium-term plans Initiatives related to management challenges Requests to the headquarters, etc.	
Group Company Audit & Board members meetings	Dissemination of various types of information by parent company, sending and collecting questionnaires Online liaison meetings (three sessions)	Response to and addressing of common issues; effective communication with individuals in charge of business execution, etc.
Meetings with the Internal Audit Department	Examination of internal audit plans, and receipt of implementation report Progress with special investigations, receipt of findings, examinations of problems, etc.	Initiatives to improve audit effectiveness; support for business types that are expanding
Meetings with the Internal Control Office	Report on progress with J-SOX compliance, report of annual plan and results, etc.	Review of scope of coverage
Meetings with CS and ES Management Division of HIS headquarters	Confirmation of status of internal reporting and consultations, receipt of reports on improvement efforts, etc.	Relative and fundamental improvement initiatives to address issues learned from internal reports or consultation
Meetings with the accounting auditor	Quarterly results review reports, key audit matter (KAM) deliberations Audit reports for annual financial results	Identification of designated risks, response to problems that have emerged, appropriateness of language used, etc.
Viewing of important documents	Viewing of approval requests and contracts to confirm matters resulting from approval of requests and contents of major contracts	Evaluation whether atypical approval documents and decision processes are appropriate, and whether follow-up after execution is appropriate
Year-end audit procedure	Interview with the Accounting Division regarding financial statements Receipt of reports from the accounting auditor and examination of content Examination of explanation of business reports by related divisions	Confirmation of degree of awareness of problems and abnormalities; evaluation of whether measures to resolve problems are appropriate; evaluation of whether disclosure method and language used are adequate or appropriate

2) Internal audit

(I) Internal audit organization, personnel, procedures, and initiatives to ensure effectiveness

Internal audits are conducted by the Internal Audit Department under the direct supervision of the president and representative director. The department consists of nine members, including one certified internal auditor. Based on the Internal Audit Regulations, Internal Audit Implementation Standards, and the annual audit plan, it regularly conducts audits of the operations of each department within the Company as well as of Group company operations, including internal control audits.

The Internal Audit Department reports audit results and recommendations for improvement to the president and representative director, relevant directors, and the heads of applicable departments or divisions. It requires the audited departments to submit improvement reports and verifies the status of improvements. Reports to the Audit & Supervisory Committee are made in parallel with the receipt of necessary instructions, thereby ensuring close coordination and supporting the Committee's systematic audits, which utilize the internal control system.

(II) Mutual coordination among internal audit, the Audit & Supervisory Committee's audit, and the accounting audit, and their relationship with departments responsible for internal control

To enhance audit effectiveness efficiently and effectively, mutual cooperation is promoted among internal audit, the Audit & Supervisory Committee's audit, and the accounting audit (so-called "three-way audits"). These three parties regularly exchange information and make adjustments as needed. With respect to the status of control development and operation at the companies subject to evaluation, as assessed by departments responsible for internal control, the separate Internal Audit Department conducts an objective evaluation and also uses the results as important reference information for internal audits carried out under its own plans.

3) Accounting audit

(I) Name of accounting auditor

Deloitte Touche Tohmatsu LLC

(II) Continuous audit period

26 years

(III) Certified public accountants who conducted the accounting audit

Designated Limited Liability Partners and Engagement Partners: Numata Atsushi, Inoue Takuya

(IV) Accounting audit assistant composition

23 certified public accountants, eight individuals who have passed the certified public accountant exam, and 34 other individuals

(V) Accounting auditor selection policy and underlying reasons

The Company has appointed Deloitte Touche Tohmatsu LLC as its accounting auditor because it believes the company possesses the competence, expertise, organizational framework, job credentials, and historical track record as an accounting auditor to perform effective audits, and because there are no issues in terms of independence with the company. If it judges that any of the items specified in Article 340, Paragraph 1 of the Companies Act are applicable to the accounting auditor, the Audit & Supervisory Committee will dismiss the accounting auditor. Also, in the event of other conditions that call into question the appropriateness of the currently appointed accounting auditor, including events that impair its qualification or independence, the Audit & Supervisory Committee will examine the dismissal or non-reappointment of the accounting auditor. If, based on such examination, the Audit & Supervisory Committee concludes it is appropriate to dismiss or not reappoint the accounting auditor, the Board of Directors will submit a proposal to dismiss or not reappoint the accounting auditor, as determined by the Audit & Supervisory Committee, to the General Meeting of Shareholders.

(VI) Evaluation of accounting auditor by the Audit & Supervisory Committee

The Audit & Supervisory Committee of the Company conducts annual evaluations of the accounting auditor using the following procedure.

a. Collect information about audit practices of the accounting auditor in the applicable fiscal year through interviews with related internal divisions

b. Review details and status of three-way audits by the Audit & Supervisory Committee, Internal Audit Department, and accounting auditor

c. Review details and status of opinion exchanges and other communications between Audit & Supervisory Committee members and the accounting auditor on a quarterly basis and if otherwise deemed necessary

In addition to flexibly determining the suitability of accounting audits from the aforementioned elements, the Company evaluates the overall appropriateness of accounting audits at the end of the fiscal year by comparing the results of quarterly audit reviews provided by the accounting auditor and year-end reporting matters against a check sheet drafted in accordance with laws and regulations.

4) Fees paid to auditing certified public accountants, etc.

(I) Details of fees paid to auditing certified public accountants, etc.

(Millions of yen)

Category	Year ended October 31, 2023		Year ended October 31, 2024	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Filing company	112	—	159	—
Consolidated subsidiaries	75	—	90	2
Total	187	—	250	2

(Consolidated fiscal year ended October 31, 2023)

There are no applicable matters regarding non-audit services to report on.

(Consolidated fiscal year ended October 31, 2024)

The Company paid fees as remuneration for non-audit services related to the preparation of a comfort letter in connection with the initial public offering of a consolidated subsidiary.

(II) Details of fees paid to organizations belonging to the same network as auditing certified public accountants (excluding (I) above)

(Millions of yen)

Category	Year ended October 31, 2023		Year ended October 31, 2024	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Filing company	—	0	—	0
Consolidated subsidiaries	198	14	235	16
Total	198	15	235	17

(Consolidated fiscal year ended October 31, 2023)

Non-audit services rendered to the Company and its consolidated subsidiaries were tax-related advice and guidance.

(Consolidated fiscal year ended October 31, 2024)

Non-audit services rendered to the Company and its consolidated subsidiaries were tax-related advice and guidance.

(III) Details of other significant fees for audit and attestation services

(Consolidated fiscal year ended October 31, 2023)

There are no applicable matters to report.

(Consolidated fiscal year ended October 31, 2024)

There are no applicable matters to report.

(IV) Policy on determination of audit fees

Remuneration for certified public accountants and other related parties involved in auditing is appropriately determined by the Company based on the consent of the Audit & Supervisory Committee, and taking into consideration the details of the audit services and the number of days required.

(V) Reason the Audit & Supervisory Committee agreed to audit fees of the accounting auditor

The Audit & Supervisory Committee agreed to the audit fees for the consolidated fiscal year ended October 31, 2024 after verifying the appropriateness of the details of the audit plan (schedule, risk approach, etc.) and the compensation level based on the track record of the accounting auditor in the previous fiscal year, and with reference to the composition of the deployed accountants, research materials published by the Institute of Certified Public Accountants, and case studies involving other companies.

(4) Executive Remuneration, etc.

1) Matters related to remuneration amounts, etc. for officers and policy for determining calculation method for such amounts

At its Board of Directors meeting held on February 25, 2021, the Company adopted a policy to determine remuneration, etc. for individual directors of the Company.

The determination policy for remuneration, etc. for individual directors is as follows.

[Rules related to remuneration calculation method and determination of remuneration]

Remuneration amounts paid by the Company to its officers are set within the overall limit of remuneration approved by the General Meeting of Shareholders. The amounts allocated to directors (excluding members of the Audit & Supervisory Committee) are determined by the Board of Directors based on recommendations from the Compensation Committee, and the amounts allocated to directors who concurrently serve as members of the Audit & Supervisory Committee are determined through deliberation by members of the Audit & Supervisory Committee.

The policy for determining remuneration amounts is in accordance with the internal remuneration regulations established through deliberation by the Board of Directors and members of the Audit & Supervisory Committee and covers provisions related to the remuneration structure, remuneration determination criteria, and standard remuneration amounts.

[Remuneration policy]

(I) To have in place a competitive remuneration system with high degree of fairness

・Remuneration system and levels that are based on work responsibilities and performance (regardless of nationality or gender), and contribute to the acquisition and retention of outstanding human resources

(II) To have in place a remuneration system focused on improving corporate and shareholder value

・As a remuneration system and structure that is closely correlated to earnings performance and focuses on the enhancement of corporate and shareholder value over the medium to long term, ordinary profit has been adopted as the performance indicator for performance-linked remuneration. This indicator was adopted because it reflects overall profit from operating activities, demonstrates the company’s sustained earning power, and is an important metric that contributes to the enhancement of corporate value.

[Remuneration system]

The remuneration system for the Company's directors (excluding members of the Audit & Supervisory Committee) consists of four categories: a) basic monthly remuneration, b) performance-linked remuneration (linked to ordinary profit), c) stock options, and d) restricted stock compensation. The types of remuneration and the objectives for, and overview of, each type of remuneration are shown in the table below.

Table: Remuneration system for the Company's directors (excluding members of the Audit & Supervisory Committee)

Remuneration type		Objective/summary
Fixed	a. Basic monthly remuneration	The Company determines amounts commensurate with directors' roles and positions, and pays these as basic monthly remuneration.
Variable	b. Performance-linked remuneration (linked to ordinary profit)	To calculate performance-linked remuneration, the Company uses the average of the three highest ordinary profit amounts recorded in the last 10 consolidated fiscal years as a reference value. As a rule, the Company pays an amount equivalent to 7% of the amount obtained by subtracting this reference value from the ordinary profit amount for the current fiscal year. However, based on earning performance trends, the Company may adjust the abovementioned 7% by 1–2 points. ・The actual amount is determined within a range of 0–200% of the standard amount in accordance with the degree of earnings achievement in each fiscal year. ・Paid as a lump-sum at the end of each fiscal year
	c. Stock option	The Company has established a stock option program as a form of remuneration that aims to enhance corporate value over the medium to long term. The total amount is kept within the annual amount (within 100 million yen) approved by the General Meeting of Shareholders.
	d. Restricted stock compensation	The Company allots restricted stock to directors (excluding members of the Audit & Supervisory Committee, non-executive directors, part-time directors, and outside directors), and accordingly aims to motivate directors to work toward continuous improvement of corporate value, and further align their interests with those of its shareholders. (The total amount is kept within the annual amount [within 100 million yen] approved by the General Meeting of Shareholders.) ・The standard amount is calculated as monthly remuneration × multiple based on position at the Company

[Remuneration levels]

To ensure objectiveness and transparency of the decision-making process, the remuneration structure and levels for directors and executive officers are determined by a resolution of the Board of Directors following a review by the Compensation Committee.

[Remuneration composition]

	Basic remuneration	Directors' bonuses	Stock-based compensation	
Remuneration type	a. Basic monthly remuneration	b. Performance-linked remuneration	c. Stock option	d. Restricted stock compensation
Performance-linked or not	Fixed	Performance-linked	Performance-linked	Not linked to performance
Time of payment	Monthly	Once a year	Upon completion of medium-term management plan	Upon retirement of each officer
Share of remuneration	40%–48%	32%–40%	5%–9%	11%–15%

[Reason the Board of Directors has determined the remuneration, etc. for individual directors is in line with the policy above in the fiscal year under review]

In determining matters involving remuneration, etc. for individual directors, the Compensation Committee has conducted extensive deliberations, including on whether the remuneration is consistent with the determination policy, and these matters have been deliberated and determined in the meetings of the Board of Directors. As a result, the Board of Directors has also determined that the remuneration is in line with the determination policy.

2) Executive remuneration, etc.

(I) Total amount of remuneration paid by officer category, amount by type of remuneration, and number of eligible officers

Officer category	Total amount of remuneration (millions of yen)	Total amount by type of remuneration (millions of yen)					Number of eligible officers
		Fixed remuneration	Performance -linked remuneration	Stock option	Restricted stock compensation	Bonus payments	
Directors (excluding members of the Audit & Supervisory Committee) (excluding outside directors)	152	127	―	3	22	―	7
Directors (members of the Audit & Supervisory Committee) (excluding outside directors)	11	11	―	―	―	―	1
Outside directors	13	13	―	―	―	―	3
Outside directors (members of the Audit & Supervisory Committee)	12	12	―	―	―	―	3

(Notes) 1. The number of directors above includes one director (excluding members of the Audit & Supervisory Committee) and one director (member of the Audit & Supervisory Committee) who retired at the conclusion of the Ordinary General Meeting of Shareholders held on January 25, 2024. In addition, for one individual retired as a director (excluding members of the Audit & Supervisory Committee) at the conclusion of the same General Meeting and was subsequently appointed as a director (member of the Audit & Supervisory Committee), the amount of remuneration and headcount for this individual are recorded separately: the portion corresponding to his tenure as a director (excluding members of the Audit & Supervisory Committee) is included under that category, and the portion corresponding to his tenure as a director (member of the Audit & Supervisory Committee) is included under that category.

2. At the 35th Ordinary General Meeting of Shareholders held on January 27, 2016 (at which time the number of directors [excluding members of the Audit & Supervisory Committee] was 10), a resolution was approved to cap the amount of remuneration paid to directors (excluding members of the Audit & Supervisory Committee) at 500 million yen per year (includes executive bonuses, but excludes payments related to employee status). Separately from the above remuneration framework, at the 36th Ordinary General Meeting of Shareholders held on January 26, 2017 (at which time the number of directors [excluding members of the Audit & Supervisory Committee] was 10), a resolution was approved to grant stock options in the form of share acquisition rights to directors (excluding members of the Audit & Supervisory Committee) in an amount not exceeding 100 million yen per year, and to cap the number of share acquisition rights to be allotted within one year from the date of each Ordinary General Meeting of Shareholders at 700. In addition, at the 37th Ordinary General Meeting of Shareholders held on January 25, 2018 (at which time the number of directors [excluding members of the Audit & Supervisory Committee] was seven), a resolution was approved to cap both the monetary claims related to the granting of restricted stock to directors (excluding members of the Audit & Supervisory Committee) at 100 million yen per year, and the total number of common shares to be granted under such restricted stock compensation at 100,000 shares per year. Furthermore, at the 43rd Ordinary General Meeting of Shareholders held on January 25, 2024 (at which time the number of directors [excluding members of the Audit & Supervisory Committee] was eight), a resolution was approved regarding provisions for the acquisition of share acquisition rights as remuneration for directors (excluding members of the Audit & Supervisory Committee). The Audit & Supervisory Committee has determined that the details of the remuneration above and related matters are appropriate.

3. At the 35th Ordinary General Meeting of Shareholders held on January 27, 2016 (at which time the number of directors [members of the Audit & Supervisory Committee] was three), a resolution was approved to cap the amount of remuneration paid to directors (members of the Audit & Supervisory Committee) at 50 million yen per year (including executive bonuses).

4. The contents of the performance indicators and related matters, the calculation methods, and the reasons for selecting such indicators related to bonus payments as performance-linked remuneration are as stated in "1) Matters related to remuneration amounts, etc. for officers and policy for determining calculation method for such amounts." In addition, during the fiscal year under review, in connection with the receipt of employment adjustment subsidies, given that there were suspicions of fraudulent and improper receipt at consolidated subsidiaries of the Company, as well as instances of improper receipt at the Company itself, no bonuses were paid.

5. The stock options and restricted stock compensation, which are both non-monetary forms of remuneration, are described in "1) Matters related to remuneration amounts, etc. for officers and policy for determining calculation method for such amounts."

6. Fixed remuneration includes contributions to defined contribution pension plans.

(II) Breakdown of total amount of consolidated remuneration by officer

Information about the total amount of consolidated remuneration by officer is not presented as there were no officers with a total amount of consolidated remuneration of 100 million yen or more.

(5) Information on Shareholdings

(I) Criteria for shareholding classification and rationale

The Company classifies its shareholdings into shares held solely for pure investment and shares held for purposes other than pure investment. The former are held mainly for the purpose of generating profit through fluctuations in the share price or through dividends, while the latter are positioned as strategic holdings.

(II) Investment securities held for purposes other than pure investment

There are no applicable matters to report.

(III) Investment securities held solely for pure investment

Classification	Year ended October 31, 2024		Year ended October 31, 2023	
	Number of stock names	Total amount recorded on balance sheet (millions of yen)	Number of stock names	Total amount recorded on balance sheet (millions of yen)
Unlisted stocks	27	981	23	1,367
Stocks other than the above	—	—	—	—

Classification	Year ended October 31, 2024 (millions of yen)		
	Total dividend income	Total gains (losses) on sale	Total gains (losses) on valuation
Unlisted stocks	1	—	518
Stocks other than the above	—	—	—

V. Financial Information

1. Basis of presentation for consolidated and non-consolidated financial statements

(1) The Company’s consolidated financial statements are prepared in conformity with the “Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Regulation No. 28, 1976) (hereinafter, the “Regulations on Consolidated Financial Statements”).

(2) The Company’s non-consolidated financial statements are prepared in conformity with the “Regulations Concerning Terminology, Forms, and Preparation Methods of Non-consolidated Financial Statements (Ministry of Finance Regulation No. 59, 1963) (hereinafter, the “Regulations on Non-consolidated Financial Statements”).

As a company designated for the submission of non-consolidated financial statements prepared in accordance with special provision, the Company prepares its non-consolidated financial statements pursuant to Article 127 of the Regulations on Non-consolidated Financial Statements.

2. Independent auditing of financial statements

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law, the Company arranged for the auditing firm Deloitte Touche Tohmatsu LLC to conduct independent audits of the consolidated and non-consolidated financial accounts of the Company for the fiscal year under review (November 1, 2023 to October 31, 2024).

3. Particular efforts to secure the appropriateness of the consolidated financial statements and other financial reports

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements and other financial reports. Specifically, in order to accurately ascertain the content of the latest accounting standards and prepare appropriate consolidated financial statements, etc., it maintains membership in the Financial Accounting Standards Foundation and participates in educational opportunities provided by said Foundation, accounting firms, and other institutions, and subscribes to accounting journals. The Company also reviews its internal regulations and manuals as appropriate.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Assets		
Current assets		
Cash and deposits	*3 157,571	*3 138,145
Notes and accounts receivable - trade, and contract assets	*1 24,711	*1 25,413
Trade accounts receivable	656	670
Securities	23	22
Travel advance payments	8,442	10,942
Prepaid expenses	1,916	2,227
Short-term loans receivable	45	278
Short-term loans receivable from subsidiaries and associates	275	200
Accounts receivable - other	19,575	18,464
Other	5,929	7,726
Allowance for doubtful accounts	(1,701)	(1,774)
Total current assets	217,448	202,316
Non-current assets		
Property, plant and equipment		
Buildings	96,795	97,026
Accumulated depreciation	(20,230)	(23,238)
Buildings, net	*2, *3, *9 76,564	*3, *9 73,788
Tools, furniture and fixtures	12,355	12,661
Accumulated depreciation	(10,162)	(10,247)
Tools, furniture and fixtures, net	*3, *9 2,193	*9 2,413
Land	*2, *3, *5 71,062	*3, *5 71,304
Leased assets	30,021	29,861
Accumulated depreciation	(17,445)	(18,478)
Leased assets, net	12,576	11,383
Construction in progress	3,718	3,718
Other	9,961	9,944
Accumulated depreciation	(8,394)	(8,447)
Other, net	*3, *9 1,567	*3, *9 1,497
Total property, plant and equipment	167,682	164,104
Intangible assets		
Goodwill	2,092	1,956
Other	*9 14,298	*9 13,975
Total intangible assets	16,391	15,931
Investments and other assets		
Investment securities	3,379	3,302
Shares of subsidiaries and associates	2,754	2,516
Investments in capital of subsidiaries and associates	73	104
Long-term loans receivable from subsidiaries and associates	205	1,068
Retirement benefit asset	800	929
Deferred tax assets	7,496	9,449
Guarantee deposits	*3 20,789	9,077
Other	4,334	4,140
Allowance for doubtful accounts	(487)	(799)
Total investments and other assets	39,348	29,789
Total non-current assets	223,421	209,825
Deferred assets	92	58
Total assets	440,962	412,200

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Liabilities		
Current liabilities		
Trade accounts payable	10,100	12,441
Short-term borrowings	*3, *6 51,326	*3, *6 9,852
Current portion of bonds payable	*8 15,000	—
Current portion of convertible-bond-type bonds with share acquisition rights	—	*8 25,000
Current portion of long-term borrowings	*3 32,128	*3 67,673
Accounts payable - other	*3 20,734	*3 23,681
Accrued expenses	4,377	5,424
Income taxes payable	980	1,181
Accrued consumption taxes	1,578	907
Travel advances received	*1 29,421	*1 36,851
Deposits received of subsidy	*10 8,153	*10 8,178
Lease liabilities	3,111	2,660
Provision for bonuses	3,354	5,161
Provision for bonuses for directors (and other officers)	82	198
Other	*1 30,300	*1 28,962
Total current liabilities	210,649	228,175
Non-current liabilities		
Bonds payable	*8 5,000	*8 5,000
Convertible-bond-type bonds with share acquisition rights	*8 25,018	—
Long-term borrowings	*2, *3, *7 123,403	*3, *7 91,569
Deferred tax liabilities	*5 4,726	*5 3,988
Retirement benefit liability	6,223	6,080
Provision for retirement benefits for directors (and other officers)	433	466
Lease liabilities	11,164	10,109
Other	*1 4,601	*1 4,465
Total non-current liabilities	180,571	121,681
Total liabilities	391,220	349,857
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	27,770	27,645
Retained earnings	15,515	24,226
Treasury shares	(13,046)	(13,015)
Total shareholders' equity	30,340	38,957
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	64	8
Deferred gains or losses on hedges	30	72
Foreign currency translation adjustment	10,001	12,584
Remeasurements of defined benefit plans	143	345
Total accumulated other comprehensive income	10,239	13,011
Share acquisition rights	165	282
Non-controlling interests	8,995	10,093
Total net assets	49,741	62,343
Total liabilities and net assets	440,962	412,200

2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Net sales	*1 252,205	*1 343,334
Cost of sales	169,128	232,716
Gross profit	83,077	110,617
Selling, general and administrative expenses	*2 81,442	*2 99,762
Operating profit	1,635	10,854
Non-operating income		
Interest income	759	1,336
Foreign exchange gains	585	242
Subsidy income	567	789
Other	1,048	786
Total non-operating income	2,961	3,154
Non-operating expenses		
Interest expenses	2,224	2,472
Other	724	1,085
Total non-operating expenses	2,949	3,557
Ordinary profit	1,646	10,451
Extraordinary income		
Gain on sale of non-current assets	*3 4	*3 751
Gain on sale of shares of subsidiaries and associates	192	350
Reversal of allowance for doubtful accounts	108	—
Subsidy income	991	—
Reversal of impairment losses	98	—
Total extraordinary income	1,395	1,101
Extraordinary losses		
Loss on sale of non-current assets	8	21
Loss on valuation of investment securities	323	518
Loss on sale of shares of subsidiaries and associates	—	39
Loss on valuation of shares of subsidiaries and associates	164	*4 1,396
Impairment losses	*5 2,895	*5 558
Provision of allowance for doubtful accounts	—	493
Loss on sale of other investments	730	—
Loss on valuation of other investments	203	—
Total extraordinary losses	4,324	3,026
Profit (loss) before income taxes	(1,282)	8,526
Income taxes - current	1,558	1,668
Income taxes - deferred	(919)	(2,758)
Total income taxes	638	(1,090)
Profit (loss)	(1,921)	9,616
Profit attributable to non-controlling interests	707	899
Profit (loss) attributable to owners of parent	(2,628)	8,717

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Profit (loss)	(1,921)	9,616
Other comprehensive income		
Valuation difference on available-for-sale securities	(166)	(55)
Deferred gains or losses on hedges	21	40
Foreign currency translation adjustment	1,923	2,244
Remeasurements of defined benefit plans, net of tax	8	208
Share of other comprehensive income of entities accounted for using equity method	(0)	7
Total other comprehensive income	* 1,786	* 2,446
Comprehensive income	(134)	12,062
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(832)	11,488
Comprehensive income attributable to non-controlling interests	698	574

3) Consolidated Statement of Changes in Equity

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	28,498	18,097	(14,972)	31,724
Changes during period					
Profit (loss) attributable to owners of parent			(2,628)		(2,628)
Purchase of treasury shares		(0)		(0)	(0)
Disposal of treasury shares		(643)		1,926	1,282
Change in scope of consolidation			46		46
Sale of shares of consolidated subsidiaries					—
Capital increase of consolidated subsidiaries		(83)			(83)
Net changes in items other than shareholders' equity					—
Total changes during period	—	(727)	(2,581)	1,925	(1,383)
Balance at end of period	100	27,770	15,515	(13,046)	30,340

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	230	8	7,085	141	7,465	399	8,648	48,238
Changes during period								
Profit (loss) attributable to owners of parent								(2,628)
Purchase of treasury shares								(0)
Disposal of treasury shares								1,282
Change in scope of consolidation								46
Sale of shares of consolidated subsidiaries								—
Capital increase of consolidated subsidiaries								(83)
Net changes in items other than shareholders' equity	(166)	21	2,916	2	2,774	(234)	347	2,887
Total changes during period	(166)	21	2,916	2	2,774	(234)	347	1,503
Balance at end of period	64	30	10,001	143	10,239	165	8,995	49,741

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	27,770	15,515	(13,046)	30,340
Changes during period					
Profit (loss) attributable to owners of parent			8,717		8,717
Purchase of treasury shares		(0)		(0)	(0)
Disposal of treasury shares		(9)		31	22
Change in scope of consolidation			(6)		(6)
Sale of shares of consolidated subsidiaries		(60)			(60)
Capital increase of consolidated subsidiaries		(55)			(55)
Net changes in items other than shareholders' equity					—
Total changes during period	—	(125)	8,711	31	8,617
Balance at end of period	100	27,645	24,226	(13,015)	38,957

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	64	30	10,001	143	10,239	165	8,995	49,741
Changes during period								
Profit (loss) attributable to owners of parent								8,717
Purchase of treasury shares								(0)
Disposal of treasury shares								22
Change in scope of consolidation								(6)
Sale of shares of consolidated subsidiaries								(60)
Capital increase of consolidated subsidiaries								(55)
Net changes in items other than shareholders' equity	(55)	42	2,583	201	2,771	116	1,097	3,985
Total changes during period	(55)	42	2,583	201	2,771	116	1,097	12,602
Balance at end of period	8	72	12,584	345	13,011	282	10,093	62,343

4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	(1,282)	8,526
Depreciation	10,463	11,017
Impairment losses	2,895	558
Reversal of impairment losses	(98)	—
Amortization of goodwill	512	349
Increase (decrease) in provision for bonuses	2,016	1,762
Increase (decrease) in provision for bonuses for directors (and other officers)	29	115
Increase (decrease) in retirement benefit liability	(70)	(182)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(15)	(44)
Interest and dividend income	(1,121)	(1,345)
Foreign exchange losses (gains)	(503)	(468)
Interest expenses	2,224	2,472
Loss (gain) on sale of property, plant and equipment	4	(730)
Loss (gain) on valuation of investment securities	323	518
Loss (gain) on sale of shares of subsidiaries and associates	(192)	(310)
Loss on valuation of shares of subsidiaries and associates	164	1,396
Loss on valuation of other investments	203	—
Loss on sale of other investments	730	—
Other loss (gain)	(1,433)	385
Decrease (increase) in accounts receivable - trade, and contract assets	(13,016)	(115)
Decrease (increase) in travel advance payments	(2,228)	(2,338)
Decrease (increase) in other assets	(955)	(19)
Increase (decrease) in trade payables	3,698	1,609
Increase (decrease) in accrued consumption taxes	886	(709)
Increase (decrease) in accrued expenses	122	1,278
Increase (decrease) in travel advances received	14,856	6,991
Increase (decrease) in other liabilities	14,819	1,457
Subtotal	33,033	32,176
Interest and dividends received	1,105	1,330
Interest paid	(2,142)	(2,578)
Income taxes refund (paid)	(1,062)	(1,680)
Net cash provided by (used in) operating activities	30,934	29,247

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Cash flows from investing activities		
Payments into time deposits	(50,556)	(16,689)
Proceeds from withdrawal of time deposits	12,711	57,956
Purchase of securities	(141)	(10,155)
Proceeds from redemption of securities	347	10,161
Purchase of property, plant and equipment and intangible assets	(6,345)	(8,196)
Proceeds from sale of property, plant and equipment and intangible assets	175	2,735
Purchase of investment securities	(1,240)	(578)
Proceeds from sale of investment securities	272	81
Proceeds from redemption of investment securities	20	10
Purchase of shares of subsidiaries and associates	(377)	(2,162)
Proceeds from sale of shares of subsidiaries and associates	248	864
Proceeds from divestments and collection of loans receivable	—	489
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (1,772)	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	0
Loan advances	(65)	(1,070)
Proceeds from collection of loans receivable	210	276
Payments of guarantee deposits	(879)	(1,158)
Proceeds from refund of guarantee deposits	983	12,839
Other, net	157	202
Net cash provided by (used in) investing activities	(46,252)	45,606
Cash flows from financing activities		
Proceeds from short-term borrowings	160,584	85,767
Repayments of short-term borrowings	(136,857)	(128,269)
Proceeds from long-term borrowings	1,693	70,262
Repayments of long-term borrowings	(35,619)	(65,414)
Redemption of bonds	—	(15,000)
Dividends paid to non-controlling interests	(76)	(56)
Purchase of treasury shares	(0)	(0)
Proceeds from share issuance to non-controlling shareholders	288	379
Repayments to non-controlling shareholders	(500)	(300)
Proceeds from disposal of treasury shares from exercise of share acquisition rights	1,249	—
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	379
Other, net	(2,547)	(2,907)
Net cash provided by (used in) financing activities	(11,785)	(55,158)
Effect of exchange rate change on cash and cash equivalents	818	1,631
Net increase (decrease) in cash and cash equivalents	(26,284)	21,327
Cash and cash equivalents at beginning of period	136,939	110,836
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	181	53
Cash and cash equivalents at end of period	*1 110,836	*1 132,217

Notes to Consolidated Financial Statements

(Significant matters that serve as the basis for preparation of the consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

The consolidated financial statements include the accounts of 127 subsidiaries of the Company. The names of principal subsidiaries are listed in "3. Description of Business" under "I. Overview of the Company, Part I Information on the Company."

Effective from the fiscal year under review, HIS Design and Plus Co., Ltd. and one other company were included in the scope of consolidation due to their increased significance.

H.I.S. CANADA INC. and JONVIEW CANADA INC., which had been consolidated subsidiaries of the Company, were excluded from the scope of consolidation as a result of their absorption-type merger, with RED LABEL VACATIONS INC., also a consolidated subsidiary, as the surviving company. RED LABEL VACATIONS INC. changed its corporate name to H.I.S. CANADA TRAVEL INC. on March 5, 2024.

Kyushu Sanko Card Co., Ltd., which had been a consolidated subsidiary of the Company, was excluded from the scope of consolidation due to its absorption-type merger, with Kyushu Sanko Landmark Co., Ltd., also a consolidated subsidiary, as the surviving company.

H.I.S. SAIPAN, INC., which had been a consolidated subsidiary of the Company, was excluded from the scope of consolidation due to the completion of liquidation procedures.

H.I.S. Travel Switzerland AG, which had been a consolidated subsidiary of the Company, was excluded from the scope of consolidation due to the sale of shares.

(2) Non-consolidated subsidiaries

The Company has 37 non-consolidated subsidiaries. The principal non-consolidated subsidiary is listed below.

- H.I.S. Travel Limited

(3) Reason for exclusion of non-consolidated subsidiaries from the scope of consolidation

The size of each non-consolidated subsidiary is small, and their total assets, net sales, profit or loss (amount corresponding to equity interest), and retained earnings (amount corresponding to equity interest), etc. do not have a material effect on the consolidated financial statements.

2. Application of equity method

(1) Non-consolidated subsidiaries and associates accounted for by the equity method

The Company applies the equity method to two associates. The name of the principal equity-method associate is listed in "3. Description of Business" under "I. Overview of the Company, Part I Information on the Company."

Effective from the fiscal year under review, Develop Co., Ltd. was made an equity-method associate through a share acquisition.

(2) Non-consolidated subsidiaries and associates not accounted for by the equity method

The profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. of the 37 non-consolidated subsidiaries and the 10 associates not accounted for by the equity method are of such a level that removing them from the scope of application of the equity method has only a negligible effect on the consolidated financial statements. Since they are not significant as a whole, they are excluded from the scope of application of the equity method. The principal subsidiary in this category is listed below.

[Subsidiary]

- H.I.S. Travel Limited

3. Fiscal years, etc. of consolidated subsidiaries

Overseas consolidated subsidiaries have fiscal years ending on July 31.

Domestic consolidated subsidiary SYS Inc. has a fiscal year ending on August 31.

The following consolidated subsidiaries have fiscal years ending on September 30: (1) Overseas: Green World Hotels Co., Ltd., HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI, DORAK HIS OTELCILIK VE TIC.A.S.; (2) Domestic: Orion Tour Co., Ltd., Travel Marche Co., Ltd., O.T.B. Co., Ltd., Japan Holiday Travel Co., Ltd., H.I.S. Okinawa Co., Ltd., H.I.S. Hotel Holdings Co., Ltd., Aquaignis Taki Hotel Asset Co., Ltd., Vison Hotel Management Co., Ltd., KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Kyushu Sanko Landmark Co., Ltd., Kumamoto Ferry Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Auto Service Co., Ltd., Kyushu Sanko Retail Co., Ltd., KASSE JAPAN Co., Ltd., Kyushu BM Service Co., Ltd., Kyushu Sanko Planning Co., Ltd., Taniguchi Auto Ltd., H.S. Insurance Co., Ltd., Cross E Holdings Co., Ltd., Huis Ten Bosch Technical Center Co., Ltd., Nishinihon Engineering Co., Ltd., Laguna Ten Bosch Co., Ltd., HIS Design and Plus Co., Ltd., hapi-robo st, Inc., H.I.S. Mobile Co., Ltd.

In preparing its consolidated financial statements, the Company uses the year-end financial statements of these subsidiaries. However, adjustments are made for any significant transactions taking place between the respective fiscal year-ends of the consolidated subsidiaries and the consolidated closing date.

4. Accounting policies

(1) Valuation standard and method for significant assets

1) Securities

Shares of subsidiaries and associates and investments in capital of subsidiaries and associates

Stated at cost using the moving average method.

Held-to-maturity securities

Stated at amortized cost.

Available-for-sale securities

Securities other than shares, etc. without a determinable market value

Stated at fair value (with any unrealized gains or losses reported directly as a component of net assets, and the cost of securities sold generally calculated by the moving average method).

Shares, etc. without a determinable market value

Generally stated at cost using the moving average method.

2) Derivatives

Stated at fair value.

(2) Depreciation and amortization method for significant assets

1) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries mainly apply the straight-line method for buildings (excluding facilities attached to buildings) and facilities attached to buildings and structures acquired on or after April 1, 2016. For other property, plant and equipment, the declining balance method is applied. Overseas consolidated subsidiaries mainly apply the straight-line method.

The ranges of useful life for property, plant and equipment are mainly as shown below.

Buildings	2–65 years
Tools, furniture and fixtures	2–45 years

2) Intangible assets (excluding leased assets)

The straight-line method is applied.

In addition, software used in-house is depreciated over its useful life (five years) based on the straight-line method.

3) Leased assets

Leased assets are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual value.

(3) Accounting standards for significant provisions

1) Allowance for doubtful accounts

To prepare for losses from uncollectible receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.

2) Provision for bonuses

To provide for bonus payments to employees, a provision for bonuses is recorded based on estimated future payments.

3) Provision for bonuses for directors (and other officers)

To provide for bonus payments to directors (and other officers), a provision for bonuses is recorded based on estimated future payments.

4) Provision for retirement benefits for directors (and other officers)

To prepare for retirement benefit payments to directors (and other officers), a provision for retirement benefits for directors (and other officers) is recorded in the amount based on the retirement benefit obligation at each fiscal year-end in accordance with the Internal Rules on Retirement Benefits for Directors (and Other Officers).

(4) Accounting treatment method for retirement benefits

1) Method for period attribution of retirement benefit estimates

In calculating the projected benefit obligation, the benefit formula standard is used as the basis for attributing projected retirement benefits to the period up to the year under review.

2) Treatment method for actuarial gains (losses) and prior service cost

Actuarial gains (losses) are mainly amortized collectively in the consolidated fiscal year following the year in which they were accrued.

Prior service cost is amortized on a straight-line basis over a specified number of years within the average remaining service period of employees when the liability is incurred.

(5) Accounting standard for recognition of significant revenues and expenses

The details of the main performance obligations in key businesses related to revenue arising from contracts with customers of the Company and its consolidated subsidiaries, and the normal timing of satisfying such performance obligations (normal timing of recognizing revenue) are as follows.

1) Own package tour products

There is an obligation to arrange and manage trips so that customers can receive transportation, accommodation, and other travel-related services provided by transportation and accommodation facilities, etc. in accordance with the itinerary set by the Company and its consolidated subsidiaries. Therefore, revenue is recognized over the duration of the trip.

2) Agents sales of arranged tours, etc.

There is an obligation to make arrangements by acting as an agent, intermediary, or facilitator on behalf of travelers so that they can receive transportation, accommodation, and other travel-related services provided by transportation and accommodation facilities, etc. Therefore, revenue is recognized based on the date of completion of such arrangements, and as an agent transaction, revenue is recognized as the net amount after deducting the amount payable to the suppliers from the amount received from customers.

(6) Standard for translation of foreign currency-denominated assets or liabilities into Japanese yen

Monetary claims and liabilities denominated in foreign currency are translated into yen at the spot exchange rate prevailing on the fiscal closing date, and the difference arising from such translation is recorded as profit or losses. The assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate prevailing on the fiscal closing date, and their revenues and expenses are translated into yen at the average exchange rate during the fiscal year, with the differences arising from such translation included in the foreign currency translation adjustment account and non-controlling interests under consolidated net assets.

(7) Significant hedge accounting methods

1) Hedge accounting methods

The Company in principle accounts for hedging transactions on a deferred basis. It applies the designated hedge accounting treatment (*furiate shori*) to forward exchange contracts and other items that qualify for designated hedge accounting, and the exceptional accounting treatment (*tokurei shori*) to interest rate swaps and other items that qualify for exceptional accounting.

2) Hedging instruments and hedged items

a. Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency-denominated accounts receivables, foreign currency-denominated trade accounts payable, foreign currency-denominated accounts receivable - other, foreign currency-denominated accounts payable - other

b. Hedging instruments: Interest rate swaps

Hedged items: Borrowings

3) Hedging policy

The Company hedges against foreign exchange fluctuation risk and interest rate fluctuation risk in accordance with its internal Financial Risk Management Regulations, etc.

4) Evaluation of hedge effectiveness

The effectiveness of hedging is assessed by comparing the cumulative total of the market fluctuations or the cash flow fluctuations for the hedged items with that of the market fluctuations or the cash flow fluctuations for the hedging instrument every six months, and analyzing the fluctuation amount, etc. for the two. However, the effectiveness of hedging is not evaluated for interest rate swaps subject to exceptional accounting treatment.

(8) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents consist of cash in hand, deposits drawable at any time, and any short-term investments that are readily convertible, are only exposed to negligible risk of change in value, and are redeemable in three months or less from each acquisition date.

(9) Other significant matters that serve as the basis for preparation of the consolidated financial statements

Goodwill amortization and amortization periods

Goodwill is amortized using the straight-line method over a reasonable number of years, not exceeding 20 years.

Accounting treatment of investments in capital of subsidiaries and associates

For investments in partnerships under the Civil Code, based on the partnership's recent financial position and profit or loss, the amount corresponding to the Group's ownership interest in the partnership's net assets is recorded on the balance sheet as investments in capital of subsidiaries and associates, and the amount corresponding to the Group's share of the partnership's profit or loss is recorded in the income statement.

(Significant accounting estimates)

1. Recoverability of deferred tax assets

(1) Amounts recorded in consolidated financial statements

(Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Deferred tax assets	7,496	9,449

(2) Other information related to estimates

i) Calculation method for the amount recorded in consolidated financial statements in the fiscal year under review

The HIS Group recognized deferred tax assets for tax loss carryforwards and deductible temporary differences to the extent that they were expected to reduce the amounts of future tax payments. In determining the likelihood of generating taxable income, the Group based its assessment on its medium-term management plan and reasonably estimated the timing and amount of future taxable income to calculate the recognized amount.

ii) Main assumptions used in calculation of the amount recorded in consolidated financial statements in the fiscal year under review

In assessing the recoverability of deferred tax assets as of October 31, 2024, the HIS Group estimated future taxable income based on its medium-term management plan and the future plans of each subsidiary and associate. As key assumptions, it incorporated the projected sales volumes of its products and services, as determined based on market trends, customer demand forecasts, and other factors.

iii) Impact on consolidated financial statements in the next fiscal year

If actual market conditions, the recovery in travel demand, or other factors worsen beyond the estimates of the management of the HIS Group going forward, this may result in a reversal of deferred tax assets and have an impact on the financial condition and management performance of the Group.

2. Impairment of non-current assets

(1) Amounts recorded in consolidated financial statements

(Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Property, plant and equipment	167,682	164,104
Intangible assets	16,391	15,931

(2) Other information related to estimates

i) Calculation method for the amount recorded in consolidated financial statements in the fiscal year under review

Based on the business segmentation, the HIS Group grouped assets by the smallest units that generate independent cash flow and for which income and expenditures can be continuously determined.

If indications of impairment of non-current assets were present, the Group determined the need to recognize impairment losses by comparing the total amount of undiscounted future cash flows generated from the relevant asset group against the book value. If, as a result of this determination, the Group deemed it necessary to recognize impairment losses because the total amount of undiscounted future cash flows was below the book value, the Group reduced the book value to the recoverable amount (either net realizable value or value in use, whichever was higher), and recorded the amount deducted from the book value as an impairment loss.

With respect to goodwill, if, as a result of a comparison between the amount obtained by adding the book value before the deduction of calculated impairment losses for each asset group excluding goodwill to the book value of the goodwill, and the total amount of undiscounted future cash flows arising from the larger unit of operation, the latter was found to be below the former, the Group recorded an impairment loss.

ii) Main assumptions used in calculation of the amount recorded in consolidated financial statements in the fiscal year under review

In determining whether there were indications of impairment of non-current assets as of October 31, 2024, the HIS Group estimated undiscounted future cash flows based on its medium-term management plan and the future plans of each subsidiary and associate, and incorporated as key assumptions the projected sales volumes of the Group’s products and services, as determined based on market trends, customer demand forecasts, and other factors.

iii) Impact on consolidated financial statements in the next fiscal year

If actual market conditions, the recovery in travel demand, or other factors worsen beyond the estimates of the management of the HIS Group going forward, this may result in the booking of impairment losses and have an impact on the financial condition and management performance of the Group.

3. Valuation of investments in and loans issued to subsidiaries and associates

(1) Amounts recorded in consolidated financial statements

(Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Shares of subsidiaries and associates	2,754	2,516
Investments in capital of subsidiaries and associates	73	104
Short-term loans receivable from subsidiaries and associates	275	200
Long-term loans receivable from subsidiaries and associates	205	1,068
Allowance for doubtful accounts related to the above	(17)	(547)

(2) Other information related to estimates

i) Calculation method for the amount recorded in consolidated financial statements in the fiscal year under review

For shares of subsidiaries and associates and investments in capital of subsidiaries and associates, if the actual value fell significantly below the book value, the HIS Group recorded impairment charges except when there was sufficient proof of recoverability based on its future plans. For loans receivable from subsidiaries and associates, the Group considered the recoverability of each loan and recorded allowances for doubtful accounts for estimated unrecoverable amounts. In addition, for investments in capital of subsidiaries and associates (investments in partnerships under the Civil Code), the amount was calculated in accordance with the financial reporting stipulated in the partnership agreement based on the most recently available financial statements, using a method that reflected the amount corresponding to the Group's ownership interest on a net basis.

ii) Main assumptions used in calculation of the amount recorded in consolidated financial statements in the fiscal year under review

In valuing investments in and loans issued to subsidiaries and associates as of October 31, 2024, the HIS Group assessed the recoverability of shares of subsidiaries and associates, investments in capital of subsidiaries and associates, and loans receivable from subsidiaries and associates based on the Group's medium-term management plan and the future plans of each subsidiary and associate, and incorporated as key assumptions the projected sales volumes of the Group's products and services, as determined based on market trends, customer demand forecasts, and other factors.

iii) Impact on consolidated financial statements in the next fiscal year

If actual market conditions, the recovery in travel demand, or other factors worsen beyond the estimates of the management of the subsidiaries and associates going forward, this may result in the booking of losses by the HIS Group in the form of impairment charges on its shares of subsidiaries and associates and investments in capital of such subsidiaries and associates, or allowances for doubtful accounts against loans issued to such subsidiaries and associates, and this may have an impact on the financial condition and management performance of the Group.

4. Valuation of goodwill and intangible assets related to the Travel business overseas

(Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Goodwill	2,051	1,914
Intangible assets (other)	8,702	7,033

"Goodwill" and "intangible assets (other)" include goodwill and intangible assets recorded in connection with the acquisition of overseas subsidiaries affiliated with the Travel business segment. Intangible assets mainly comprise customer-related assets and trademark rights recorded based on transactional relationships with major customers of overseas subsidiaries.

In determining whether indications of impairment of intangible assets are present, the HIS Group has examined whether these assets have declined significantly in value since the time they were purchased based on the future plans of the overseas subsidiaries. Other information related to estimates for the valuation of such assets is the same as described in "2. Impairment of non-current assets."

(Accounting standards not yet applied)

(Accounting Standard for Current Income Taxes, etc.)

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

In February 2018, the Accounting Standards Board of Japan (ASBJ) issued the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. (hereinafter, "ASBJ Statement No. 28, etc."). With this issuance, the transfer of responsibility for practical guidance on tax effect accounting from the Japanese Institute of Certified Public Accountants

(JICPA) to the ASBJ was completed. However, during the course of deliberations, it had been decided that two specific issues would be reconsidered after the issuance of ASBJ Statement No. 28, etc. These issues have since been deliberated and made public.

・Accounting classification of tax expenses (i.e., taxation on other comprehensive income)
・Tax effect associated with the sale of shares of subsidiaries, etc. (i.e., shares of subsidiaries or associates) in cases where the group corporate taxation system is applied

(2) Scheduled date of application
To be applied from the start of the fiscal year ending October 31, 2025.

(3) Impact of applying the relevant accounting standards, etc.
The application of the "Accounting Standard for Current Income Taxes," etc. has no impact on the consolidated financial statements.

(Accounting Standard for Leases, etc.)
・Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024, Accounting Standards Board of Japan)
・Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024, Accounting Standards Board of Japan), etc.

(1) Overview
As part of efforts by the ASBJ to align Japanese accounting standards with international standards, deliberations were held on the development of a lease accounting standard under which lessees recognize assets and liabilities for all leases, based on international accounting standards. As a basic policy, the lease accounting standards, etc. were issued based on a single lessee accounting model in line with IFRS 16; however, rather than adopting all of its provisions, only its key requirements were incorporated, with the aim of creating a simplified and practical standard that enables the application of IFRS 16 to non-consolidated financial statements without requiring significant adjustments.
With regard to the method of expense allocation under lessee accounting, as in IFRS 16, a single accounting model is applied in which, regardless of whether the lease is a finance lease or an operating lease, lessees recognize depreciation of the right-of-use asset and an interest-equivalent amount related to the lease liability for all leases.

(2) Scheduled date of application
To be applied from the start of the fiscal year ending October 31, 2028.

(3) Impact of applying the relevant accounting standards, etc.
The impact of applying the "Accounting Standard for Leases," etc. on the consolidated financial statements is currently under evaluation.

(Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules)
・Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules (Practical Issues Task Force [PITF] No. 46, March 22, 2024, ASBJ)

(1) Overview
In October 2021, the participating jurisdictions of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS), led by the Organisation for Economic Co-operation and Development (OECD) and the Group of Twenty (G20), reached an agreement on the implementation of a global minimum tax.
In response, Japan enacted the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 3 of 2023) on March 28, 2023, which establishes the treatment of the Income Inclusion Rule (IIR)—one of the internationally agreed rules under the global minimum tax regime. The rule is scheduled to apply to fiscal years beginning on or after April 1, 2024.
The global minimum tax is a new taxation framework designed to ensure that multinational enterprise groups and other organizations meeting certain requirements bear a minimum corporate tax burden of 15% on profits in each jurisdiction. It features a mechanism whereby the entity generating the relevant net income (profit) and the entity subject to the tax obligation may differ.
The "Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" sets forth accounting and disclosure treatment for corporate income taxes and local corporate taxes related to the global minimum tax regime.

(2) Scheduled date of application
To be applied from the start of the fiscal year ending October 31, 2025.

(3) Impact of applying the relevant accounting standards, etc.
The impact of applying the "Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" on the consolidated financial statements is currently under evaluation.

(Changes in presentation)

(Consolidated balance sheet)

"Long-term loans receivable," which had been presented as an independent item under "Investments and other assets" in the fiscal year ended October 31, 2023, is included in "Other" from the fiscal year ended October 31, 2024, due to its decreased monetary significance. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended October 31, 2023 have been reclassified.

As a result, 201 million yen previously presented as "Long-term loans receivable" under "Investments and other assets" in the consolidated balance sheet for the fiscal year ended October 31, 2023 has been reclassified to "Other," totaling 4,334 million yen.

(Consolidated statement of income)

"Dividend income," which had been presented as an independent item under "Non-operating income" in the fiscal year ended October 31, 2023, is included in "Other" from the fiscal year ended October 31, 2024, due to its decreased monetary significance. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended October 31, 2023 have been reclassified.

As a result, 361 million yen previously presented as "Dividend income" under "Non-operating income" in the consolidated statement of income for the fiscal year ended October 31, 2023 has been reclassified to "Other," totaling 1,048 million yen.

(Consolidated statement of cash flows)

"Proceeds from sale of shares of subsidiaries and associates," which had been included in "Other, net" under "Cash flows from investing activities" in the fiscal year ended October 31, 2023, is presented as an independent item from the fiscal year ended October 31, 2024, due to its increased monetary significance. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended October 31, 2023 have been reclassified.

As a result, 406 million yen previously presented as "Other, net" under "Cash flows from investing activities" in the consolidated statement of cash flows for the fiscal year ended October 31, 2023 has been reclassified into 248 million yen under "Proceeds from sale of shares of subsidiaries and associates" and 157 million yen under "Other, net."

(Consolidated balance sheet)

*1. Balances of receivables, contract assets, and contract liabilities arising from contracts with customers

Receivables and contract assets arising from contracts with customers are mainly included in "Notes and accounts receivable - trade, and contract assets." Contract liabilities are mainly included in "Travel advances received," "Other" under current liabilities, and "Other" under non-current liabilities. The amounts of receivables, contract assets, and contract liabilities arising from contracts with customers are described in "Revenue recognition" in the "Notes to Consolidated Financial Statements" in "(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc." under "V. Financial Information."

*2. Assets and liabilities recognized as financial transactions

In accordance with the "Practical Guidelines for Transferer Accounting Pertaining to Real Estate Securitization through Special Purpose Companies" (Japan Institute of Certified Public Accountants [JICPA], Accounting System Committee Report No. 15), the Company recognized the following assets and liabilities as financial transactions.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Buildings	7,591	—
Land	24,445	—
Long-term borrowings	32,404	—

*3. Pledged assets

Assets pledged as collateral are shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Cash and deposits	578	954
Buildings	21,173	19,095
Tools, furniture and fixtures	24	—
Land	20,621	20,621
Property, plant and equipment (other)	0	0

Details of secured liabilities are shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Short-term borrowings	2,654	2,683
Current portion of long-term borrowings	2,888	739
Accounts payable - other	299	61
Long-term borrowings	20,084	19,366

In the consolidated fiscal year ended October 31, 2023, the Company pledged cash and deposits of 521 million yen and guarantee deposits of 47 million yen as collateral for bank guarantees. In the consolidated fiscal year ended October 31, 2024, it pledged cash and deposits of 1,106 million yen as collateral for bank guarantees.

4. Guarantee obligations

(1) The Company guarantees bank loans, etc. for the following company up to the amount shown below.

Year ended October 31, 2023 (As of October 31, 2023)		Year ended October 31, 2024 (As of October 31, 2024)	
FLY HUB TRAVEL PTE. LTD.	7,000 thousand SGD (767 million yen)	FLY HUB TRAVEL PTE. LTD.	10,300 thousand SGD (1,195 million yen)

(2) The Company guarantees business transaction payments for the following companies.

Year ended October 31, 2023 (As of October 31, 2023)		Year ended October 31, 2024 (As of October 31, 2024)	
・Guarantee with specified amount		・Guarantee without specified amount	
FLY HUB TRAVEL PTE. LTD.	200 thousand USD (28 million yen)	FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables
		HAWAII SQUARE LLC	Payment guarantee for referral fees, etc.
・Guarantee without specified amount			
FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables		
HAWAII SQUARE LLC	Payment guarantee for referral fees, etc.		

*5. In accordance with the Act on Revaluation of Land, the Company revalued land owned for business use on March 31, 2000 and included the corresponding amounts in the items shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Land	4,513	4,513
Deferred tax liabilities	1,678	1,678

*6. Committed credit line agreements

The Company has concluded committed credit line agreements with three banks to ensure efficient and stable procurement of working capital. In addition, consolidated subsidiaries—including KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., Japan Holiday Travel Co., Ltd., Green World Hotels Co., Ltd., H.I.S. - MERIT TRAVEL INC., HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI, and H.I.S. - RED LABEL VACATIONS INC.—have concluded overdraft agreements with 15 banks to ensure efficient procurement of working capital. The unused portions of these overdraft and committed credit line agreements are shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Maximum overdraft and committed credit line limits (total)	44,369	43,856
Outstanding borrowings	7,157	8,493
Unused balance	37,211	35,363

*7. Financial covenants

Syndicated loans

1) Must maintain the net asset value on the consolidated balance sheet reported on the final day of each fiscal year at 75% or more of the net asset value on the consolidated balance sheet reported on the final day of the previous fiscal year.

2) May not record ordinary losses on the consolidated statement of income reported on the final day of each fiscal year for two consecutive years.

The balance of the long-term borrowings subject to the financial covenants is shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Long-term borrowings	32,128	32,128

*8. Notable covenants attached to other obligations

(1) Unsecured bonds

Ensure the following two scenarios do not apply.

1) For bonds other than unsecured bonds, forfeiture of the benefit of time, or inability to repay such bonds when they are due.

2) Inability to fulfill payment obligations when the benefit of time has been forfeited for loan obligations other than bonds, or inability to fulfill payment for guarantee obligations assumed for bonds other than the Company's bonds or for other loan obligations, should such need arise. However, this will not apply if the total liabilities do not exceed 500 million yen.

The balance of the applicable unsecured bonds is shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Bonds payable (including current portion)	20,000	5,000

(2) Convertible-bond-type bonds with share acquisition rights

Ensure the following scenario does not apply.

If the Company or a major subsidiary forfeits the benefit of time for a loan obligation other than the bonds in question, or does not fulfill payment for guarantee obligations assumed for other loans when such obligation arises. However, this will not apply if the total value of such obligations does not exceed 500 million yen or its equivalent in foreign currency.

The balance of the applicable convertible-bond-type bonds with share acquisition rights is shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Convertible-bond-type bonds with share acquisition rights (including current portion)	25,018	25,000

*9. Reduction entries

The reduction entry amounts deducted from the acquisition cost of property, plant and equipment, etc. due to the acceptance of national subsidies, etc. and their corresponding breakdown are shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Buildings	124	155
Tools, furniture and fixtures	16	22
Property, plant and equipment (other)	608	609
Intangible assets (other)	6	15
Total	756	803

*10. Deposits received of subsidy

This represents the portion of employment adjustment subsidies and other grants received by the HIS Group that has been recorded as expected repayments and similar items.

(Consolidated statement of income)

*1. Revenue from contracts with customers

For net sales, revenue generated from contracts with customers and other revenue are not presented separately. Revenue from contracts with customers is described in “Revenue recognition” in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information.”

*2. Selling, general and administrative expenses

Major cost items and their respective amounts included under selling, general and administrative expenses are shown below.

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Payroll and allowances	32,085	36,916
Provision for bonuses	3,462	6,302
Provision for bonuses for directors (and other officers)	83	204
Retirement benefit expenses	521	693
Provision for retirement benefits for directors (and other officers)	41	68
Depreciation and amortization	8,295	8,765
Provision of allowance for doubtful accounts	(425)	337

*3 Gain on sale of non-current assets

Details of gains on the sale of non-current assets are shown below.

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Buildings	—	52
Tools, furniture and fixtures	1	7
Land	—	683
Other	3	7

*4. Loss on valuation of shares of subsidiaries and associates

The loss on valuation of shares of subsidiaries and associates applies to FLY HUB TRAVEL PTE. LTD., a non-consolidated subsidiary, and other entities.

*5. Impairment losses

I. Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

In the consolidated fiscal year ended October 31, 2023, the HIS Group mainly recorded impairment losses on the following assets.

Location	Usage	Item	Impairment losses (millions of yen)
GUAM REEF HOTEL, INC. (Guam, Territory of U.S.A.)	Business assets	Building, other	1,968
H.I.S. Hotel Holdings Co., Ltd. (Tokyo, other)	Business assets	Building, other	231
H.I.S. - MERIT TRAVEL INC. (Vancouver, Canada)	Business assets	Intangible assets (other)	55
H.I.S. - MERIT TRAVEL INC. (Vancouver, Canada)	—	Goodwill	590

Based on the business segmentation, the HIS Group grouped assets by the smallest units that generate independent cash flow and for which income and expenditures can be continuously determined.

Consolidated subsidiary GUAM REEF HOTEL, INC. no longer expected to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it reduced the book value of its buildings and other non-current assets to their recoverable amounts and recorded an impairment loss for these write-downs as an extraordinary loss. The recoverable amounts were measured based on net realizable value, estimated using expected selling prices.

Consolidated subsidiary H.I.S. Hotel Holdings Co., Ltd. no longer expected to achieve the previously anticipated revenue levels for its business assets, resulting in reduced potential for investment recovery. Accordingly, it reduced the book value of its buildings and other non-current assets to their recoverable amounts and recorded an impairment loss for these write-downs as an extraordinary loss. As it did not anticipate future cash flows, the recoverable amount was valued at zero.

Consolidated subsidiary H.I.S. - MERIT TRAVEL INC. no longer expected to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it reduced the book value of goodwill, intangible assets, and other assets to their recoverable amounts and recorded an impairment loss for these write-downs as an extraordinary loss. The recoverable amount was determined based on the value in use. The discount rate used to measure the value in use was 17.5%.

II. Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

In the consolidated fiscal year ended October 31, 2024, the HIS Group mainly recorded impairment losses on the following assets.

Location	Usage	Item	Impairment losses (millions of yen)
H.I.S. - MERIT TRAVEL INC. (Vancouver, Canada)	Business assets	Intangible assets (other)	294
GROUP MIKI HOLDINGS LIMITED (London, England, other)	Business assets	Intangible assets (other), other assets	177

Based on the business segmentation, the HIS Group grouped assets by the smallest units that generate independent cash flow and for which income and expenditures can be continuously determined.

Consolidated subsidiary H.I.S. – MERIT TRAVEL INC. no longer expected to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it reduced the book value of intangible assets to their recoverable amount and recorded an impairment loss for these write-downs as an extraordinary loss. The recoverable amount was measured based on value in use, using a discount rate of 18.0%.

Consolidated subsidiary GROUP MIKI HOLDINGS LIMITED no longer expected to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it reduced the book value of intangible assets to their recoverable amount and recorded an impairment loss for these write-downs as an extraordinary loss. As it did not anticipate future cash flows, the recoverable amount was valued at zero.

(Consolidated statement of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Valuation difference on available-for-sale securities:		
Amount arising during the year	(481)	(595)
Reclassification adjustments	241	515
Before tax effect adjustment	(240)	(79)
Tax effect amount	73	24
Valuation difference on available-for-sale securities	(166)	(55)
Deferred gains or losses on hedges:		
Amount arising during the year	21	64
Reclassification adjustments	—	—
Before tax effect adjustment	21	64
Tax effect amount	0	(23)
Deferred gains or losses on hedges	21	40
Foreign currency translation adjustment:		
Amount arising during the year	1,915	2,205
Reclassification adjustments	8	39
Before tax effect adjustment	1,923	2,244
Tax effect amount	—	—
Foreign currency translation adjustment	1,923	2,244
Remeasurements of defined benefit plans:		
Amount arising during the year	162	423
Reclassification adjustments	(175)	(81)
Before tax effect adjustment	(13)	342
Tax effect amount	22	(133)
Remeasurements of defined benefit plans	8	208
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the fiscal year	(0)	7
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	(0)	7
Total other comprehensive income	1,786	2,446

(Consolidated statement of changes in equity)

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

1. Type and number of issued shares and treasury shares

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock	79,860,936	—	—	79,860,936
Total	79,860,936	—	—	79,860,936
Treasury shares				
Common stock (Notes 1, 2)	5,909,220	30	760,385	5,148,865
Total	5,909,220	30	760,385	5,148,865

(Notes) 1. The increase of 30 treasury shares (common stock) reflects an increase from the purchase of shares less than one unit.

2. The decrease of 760,385 treasury shares (common stock) reflects a decrease of 10,385 shares from the disposal of treasury shares as restricted stock compensation and a decrease of 750,000 shares from the disposal of treasury shares due to the exercise of share acquisition rights.

2. Share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Class of shares subject to share acquisition rights	Number of shares subject to share acquisition rights				Balance at end of period (millions of yen)
			At beginning of period	Increase during period	Decrease during period	At end of period	
Filing company (parent company)	Fourth series of share acquisition rights	Common stock	1,500,000	—	1,500,000	—	—
	Fifth series of share acquisition rights	Common stock	1,721,400	—	—	1,721,400	56
	Sixth series of share acquisition rights	Common stock	1,828,000	—	—	1,828,000	54
	Seventh series of share acquisition rights	Common stock	2,325,200	—	—	2,325,200	55
	Share acquisition rights as stock options	Common stock	—	—	—	—	—
Total		—	7,374,600	—	1,500,000	5,874,600	165

3. Dividends

(1) Dividends paid

There are no applicable matters to report as the Company did not pay a dividend in the relevant period.

(2) Dividends whose record date falls in the consolidated fiscal year ended October 31, 2023 and whose effective date falls in the next consolidated fiscal year

There are no applicable matters to report as the Company did not pay a dividend in the relevant period.

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

1. Type and number of issued shares and treasury shares

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock	79,860,936	—	—	79,860,936
Total	79,860,936	—	—	79,860,936
Treasury shares				
Common stock (Notes 1, 2)	5,148,865	228	12,435	5,136,658
Total	5,148,865	228	12,435	5,136,658

(Notes) 1. The increase of 228 treasury shares (common stock) reflects an increase from the purchase of shares less than one unit.
2. The decrease of 12,435 treasury shares (common stock) reflects a decrease from the disposal of treasury shares as restricted stock compensation.

2. Share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Class of shares subject to share acquisition rights	Number of shares subject to share acquisition rights				Balance at end of period (millions of yen)
			At beginning of period	Increase during period	Decrease during period	At end of period	
Filing company (parent company)	Fifth series of share acquisition rights	Common stock	1,721,400	—	—	1,721,400	56
	Sixth series of share acquisition rights	Common stock	1,828,000	—	—	1,828,000	54
	Seventh series of share acquisition rights	Common stock	2,325,200	—	—	2,325,200	55
	Share acquisition rights as stock options	Common stock	—	—	—	—	116
Total		—	5,874,600	—	—	5,874,600	282

3. Dividends

(1) Dividends paid

There are no applicable matters to report as the Company did not pay a dividend in the relevant period.

(2) Dividends whose record date falls in the consolidated fiscal year ended October 31, 2024 and whose effective date falls in the next consolidated fiscal year

There are no applicable matters to report as the Company did not pay a dividend in the relevant period.

(Consolidated statement of cash flows)

*1. Reconciliation of year-end balance of cash and cash equivalents and items in the consolidated balance sheet

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Cash and deposits account	157,571	138,145
Time deposits with maturities of more than three months	(46,734)	(5,927)
Cash and cash equivalents	110,836	132,217

*2. Major breakdown of assets and liabilities of newly consolidated subsidiaries resulting from the acquisition of shares

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

SCI Stenberg College International Inc. was newly consolidated through a share acquisition. The breakdown of assets and liabilities at the start of the consolidation, and the relationship between the share acquisition price for the company and the related expenditure (net) are as follows.

(Millions of yen)

Current assets	720
Non-current assets	1,321
Goodwill	782
Current liabilities	(648)
Non-current liabilities	(312)
Share acquisition price	1,863
Cash and cash equivalents at the subsidiary	(90)
Difference: Expenditure on acquisition of shares in subsidiary	1,772

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

There are no applicable matters to report.

(Lease transactions)

1. Finance leases

(Lessee)

Finance leases not involving transfer of ownership and leases of overseas subsidiaries subject to the IFRS 16 “Leases”

1) Details of leased assets

(a) Property, plant and equipment

Primarily equipment (machinery and devices) supplied for business purposes

(b) Intangible assets

Software

(c) Right-of-use assets

These assets primarily represent property rents in the Hotel business of overseas subsidiaries applying IFRS 16 “Leases.” In the consolidated balance sheet, they are recognized under “Leased assets” within “Property, plant and equipment,” with 9,181 million yen recorded as of October 31, 2023 and 8,357 million yen recorded as of October 31, 2024.

2) Depreciation method for leased assets

As stated in the “(2) Depreciation and amortization method for significant assets” section in “4. Accounting policies” under “Significant matters that serve as the basis for preparation of the consolidated financial statements.”

2. Operating leases

(Lessee)

Future lease payables related to non-cancelable operating leases

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Due within one year	3,102	2,726
Due after one year	40,571	40,825
Total	43,674	43,552

(Lessor)

Future lease receivables related to non-cancelable operating leases

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Due within one year	393	371
Due after one year	2,300	1,908
Total	2,694	2,280

(Financial instruments)

1. Conditions of financial instruments

(1) Policy for handling financial instruments

The HIS Group primarily uses short-term deposits for fund management. In addition, it uses loans from financial institutions, corporate bonds, and convertible-bond-type bonds with share acquisition rights to procure funds. The Group's financial derivatives transactions include forward exchange contract transactions, etc. to mitigate the risks discussed below, and interest rate swap transactions to avoid fluctuation risk for interest rates on borrowings. There are no transactions entered into for speculative purposes.

(2) Type and risk of financial instruments

Notes and accounts receivable - trade, and contract assets (trade receivables) and other receivables are exposed to credit risk from customers.

Marketable securities and investment securities mainly consist of available-for-sale securities (bonds and stocks), which are exposed to the risk of market price fluctuations and credit risk from issuers.

Guarantee deposits are mainly held in connection with lease agreements for stores, and are exposed to credit risk from depositaries.

Trade accounts payable, accounts payable - other, income taxes payable, etc. (trade payables), and accrued consumption taxes are in principle paid within three months.

Borrowings, corporate bonds, convertible-bond-type bonds with share acquisition rights, and lease liabilities related to finance leases are mainly used to procure funding for working capital or capital expenditures. Borrowings with variable interest rates are exposed to risk from fluctuation in interest rates.

Monetary claims and liabilities denominated in foreign currencies are exposed to the risk of foreign exchange fluctuations, but such risk is in principle hedged using forward exchange contracts.

Derivatives transactions include forward exchange contracts, etc. aimed at mitigating the risk of foreign exchange fluctuations and transactions to avoid the risk of fluctuations in interest rates paid on loans. For details on hedging instruments, hedged items, hedging policy, and the method for evaluating hedging effectiveness concerning hedge accounting, please refer to the aforementioned "(7) Significant hedge accounting methods" section in "4. Accounting policies" under "Significant matters that serve as the basis for preparation of the consolidated financial statements."

(3) Risk management for financial instruments

1) Management of credit risk (risk that customers or counterparties may default)

In accordance with credit management policies, the Company screens new customers and periodically reviews credit limits, and aims to mitigate risk by conducting management of settlement dates and balances for various customers. A similar management is conducted by consolidated subsidiaries; they also have in place a management structure where transactions and events of certain degree of significance must be reported to or approved by the Company.

Credit risk for derivatives transactions is recognized as largely immaterial because these transactions are conducted only with financial institutions that have a high credit rating.

2) Management of market risk (risk of fluctuations in foreign exchange and interest rate)

For monetary claims and liabilities denominated in foreign currencies, the HIS Group in principle uses forward exchange contracts to hedge against foreign exchange risk for major currencies.

For marketable securities and investment securities, the Group determines their fair value and the financial position of the issuers on a quarterly basis. It also reviews its holdings on a continuing basis, taking into account the market conditions and the relationship with customers and business partners.

The basic policy regarding derivatives transactions that take the form of forward exchange contract transactions, etc. is that such transactions must be approved by the Board of Directors, and the execution and management of such transactions are handled by the Accounting and Finance Department of HIS headquarters. The transaction balance and gains and losses must be periodically reported to the Board of Directors.

3) Liquidity risk associated with capital procurement (risk of inability to make payments on due date)

The HIS Group manages liquidity risk by preparing and updating a cash management plan as deemed appropriate and maintaining liquidity on hand in accordance with income and expenditure.

(4) Supplementary explanation of matters relating to fair value, etc. of financial instruments

The fair value calculation of financial instruments reflects variable factors, and is therefore subject to change depending on different assumptions used. In addition, the derivatives contract amounts in the "Derivatives transactions" section are not necessarily indicative of the actual market risk associated with derivatives transactions.

2. Fair value, etc. of financial instruments

The carrying amounts of financial instruments on the consolidated balance sheet, fair values, and the differences between them are shown below.

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	Amounts recorded on consolidated balance sheet	Fair value	Difference
(1) Marketable securities and investment securities (*2)	276	276	(0)
Held-to-maturity securities	20	19	(0)
Available-for-sale securities	256	256	—
(2) Long-term loans receivable (*3)	58	60	1
(3) Long-term loans receivable from subsidiaries and associates (*3)	194	194	(0)
(4) Guarantee deposits	20,789	20,366	(422)
Assets total	21,318	20,897	(420)
(5) Bonds payable (including current portion)	20,000	19,996	(3)
(6) Convertible-bond-type bonds with share acquisition rights	25,018	24,983	(34)
(7) Long-term borrowings (including current portion)	155,531	154,162	(1,368)
(8) Lease liabilities (including current portion)	14,275	14,185	(90)
Liabilities total	214,825	213,327	(1,497)
Derivatives transactions (*4)	23	23	—

(*1) Cash and deposits, notes and accounts receivable - trade, and contract assets, trade accounts receivable, short-term loans receivable, short-term loans receivable from subsidiaries and associates, accounts receivable - other, trade accounts payable, short-term borrowings, accounts payable - other, income taxes payable, accrued consumption taxes, and deposits received of subsidy are cash and settled or repaid over the short term, so this information has been omitted because their fair value approximates the book value.

(*2) Shares, etc. without a determinable market value are not included in “(1) Marketable securities and investment securities.” The carrying amounts of these financial instruments on the consolidated balance sheet are as follows.

(Millions of yen)

Classification	Year ended October 31, 2023 (As of October 31, 2023)
Marketable securities and investment securities (unlisted stocks, etc.)	3,126
Shares of subsidiaries and associates (unlisted stocks, etc.)	2,754
Investments in capital of subsidiaries and associates	73

(*3) Corresponding allowances for doubtful accounts are deducted from “long-term loans receivable” and “long-term loans receivable from subsidiaries and associates.”

(*4) Net receivables and payables accrued from derivatives transactions are presented on a net basis, and net payables are presented in parentheses.

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

(Millions of yen)

	Amounts recorded on consolidated balance sheet	Fair value	Difference
(1) Marketable securities and investment securities (*2) (*3)	582	581	(0)
Held-to-maturity securities	120	119	(0)
Available-for-sale securities	462	462	—
(2) Long-term loans receivable from subsidiaries and associates (*4)	543	550	6
(3) Guarantee deposits	9,077	8,674	(403)
Assets total	10,204	9,806	(397)
(4) Bonds payable	5,000	4,966	(33)
(5) Convertible-bond-type bonds with share acquisition rights (including current portion)	25,000	24,992	(8)
(6) Long-term borrowings (including current portion)	159,242	158,556	(686)
(7) Lease liabilities (including current portion)	12,770	12,675	(95)
Liabilities total	202,014	201,190	(823)
Derivatives transactions (*5)	88	88	—

(*1) Cash and deposits, notes and accounts receivable - trade, and contract assets, trade accounts receivable, short-term loans receivable, short-term loans receivable from subsidiaries and associates, accounts receivable - other, trade accounts payable, short-term borrowings, accounts payable - other, income taxes payable, accrued consumption taxes, and deposits received of subsidy are cash and settled or repaid over the short term, so this information has been omitted because their fair value approximates the book value.

(*2) Shares, etc. without a determinable market value are not included in "(1) Marketable securities and investment securities." The carrying amounts of these financial instruments on the consolidated balance sheet are as follows.

(Millions of yen)

Classification	Year ended October 31, 2024 (As of October 31, 2024)
Marketable securities and investment securities (unlisted stocks, etc.)	2,742
Shares of subsidiaries and associates (unlisted stocks, etc.)	2,516
Investments in capital of subsidiaries and associates	73

(*3) Disclosures have been omitted for investments in partnerships under the Civil Code, which are presented in the consolidated balance sheet on a net basis in proportion to the Group's ownership interest. The carrying amounts of these financial instruments on the consolidated balance sheet are as follows.

(Millions of yen)

Classification	Year ended October 31, 2024 (As of October 31, 2024)
Investments in capital of subsidiaries and associates	30

(*4) Corresponding allowances for doubtful accounts are deducted from long-term loans receivable from subsidiaries and associates.

(*5) Net receivables and payables accrued from derivatives transactions are presented on a net basis, and net payables are presented in parentheses.

(Note) 1. Redemption schedule for monetary claims and securities with maturity after the consolidated closing date

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	1 year or less	1–5 years	5–10 years	Over 10 years
Cash and deposits	157,571	―	―	―
Notes and accounts receivable - trade, and contract assets	24,711	―	―	―
Trade accounts receivable	656	―	―	―
Marketable securities and investment securities				
Held-to-maturity securities				
(1) Bonds	10	10	―	―
Available-for-sale securities with maturities				
(1) Bonds	―	50	―	―
Short-term loans receivable	45	―	―	―
Short-term loans receivable from subsidiaries and associates	275	―	―	―
Accounts receivable - other	19,575	―	―	―
Long-term loans receivable	―	201	―	―
Long-term loans receivable from subsidiaries and associates	―	205	―	―

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

(Millions of yen)

	1 year or less	1–5 years	5–10 years	Over 10 years
Cash and deposits	138,145	―	―	―
Notes and accounts receivable - trade, and contract assets	25,413	―	―	―
Trade accounts receivable	670	―	―	―
Marketable securities and investment securities				
Held-to-maturity securities				
(1) Bonds	―	110	10	―
Available-for-sale securities with maturities				
(1) Bonds	―	50	―	―
Short-term loans receivable	278	―	―	―
Short-term loans receivable from subsidiaries and associates	200	―	―	―
Accounts receivable - other	18,464	―	―	―
Long-term loans receivable from subsidiaries and associates	―	1,030	37	―

(Note) 2. Repayment schedule for bonds payable, long-term borrowings, and lease liabilities after the consolidated closing date

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Short-term borrowings	51,326	—	—	—	—	—
Bonds payable	15,000	—	—	5,000	—	—
Convertible-bond-type bonds with share acquisition rights	—	25,000	—	—	—	—
Long-term borrowings (including current portion)	32,128	2,380	41,993	5,325	24,138	49,565
Lease liabilities (including current portion)	3,111	2,412	1,910	1,620	1,349	3,870
Total	101,566	29,793	43,904	11,946	25,487	53,436

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

(Millions of yen)

	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Short-term borrowings	9,852	—	—	—	—	—
Bonds payable	—	—	5,000	—	—	—
Convertible-bond-type bonds with share acquisition rights (including current portion)	25,000	—	—	—	—	—
Long-term borrowings (including current portion)	67,673	44,439	4,779	23,246	2,510	16,593
Lease liabilities (including current portion)	2,660	2,177	1,935	1,605	1,210	3,180
Total	105,186	46,617	11,715	24,851	3,721	19,773

3. Matters related to the breakdown, etc. of fair values of financial instruments by level

Fair values of financial instruments are categorized into three levels as described below on the basis of the observability and the materiality of the valuation inputs used in fair value measurements.

Level 1: Fair values calculated using, among the observable inputs for the calculation of fair value, the quoted prices in active markets for the assets or liabilities subject to fair value calculation

Level 2: Fair values calculated using, among the observable inputs for the calculation of fair value, the inputs for fair value calculation other than Level 1 inputs

Level 3: Fair values calculated using unobservable inputs for the calculation of fair values

If multiple inputs are used that have a significant impact on the fair value calculation, the fair value is categorized under the level with the lowest priority in the fair value calculation among the levels to which each such input belongs.

(1) Financial instruments recorded at fair value on the consolidated balance sheet

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stocks	13	—	—	13
Other	—	2	240	243
Derivatives transactions				
Currency-related transactions	—	23	—	23
Assets total	13	25	240	280

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stocks	52	—	—	52
Other	—	5	404	410
Derivatives transactions				
Currency-related transactions	—	88	—	88
Assets total	52	93	404	551

(2) Financial instruments not recorded at fair value on the consolidated balance sheet

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity securities				
Bonds	―	19	―	19
Long-term loans receivable	―	60	―	60
Long-term loans receivable from subsidiaries and associates	―	194	―	194
Guarantee deposits	―	20,366	―	20,366
Assets total	―	20,641	―	20,641
Bonds payable (including current portion)	―	19,996	―	19,996
Convertible-bond-type bonds with share acquisition rights	―	24,983	―	24,983
Long-term borrowings (including current portion)	―	154,162	―	154,162
Lease liabilities (including current portion)	―	14,185	―	14,185
Liabilities total	―	213,327	―	213,327

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity securities				
Bonds	―	119	―	119
Long-term loans receivable from subsidiaries and associates	―	550	―	550
Guarantee deposits	―	8,674	―	8,674
Assets total	―	9,344	―	9,344
Bonds payable	―	4,966	―	4,966
Convertible-bond-type bonds with share acquisition rights (including current portion)	―	24,992	―	24,992
Long-term borrowings (including current portion)	―	158,556	―	158,556
Lease liabilities (including current portion)	―	12,675	―	12,675
Liabilities total	―	201,190	―	201,190

(Note) 1. Valuation method used for the calculation of fair value, and information on inputs used to measure fair value

Marketable securities and investment securities

Stocks and bonds are valued based on prices quoted by exchanges, financial institutions, and other third parties. Listed shares are traded in active markets, so their fair value is classified as Level 1. However, bonds and other assets held by the Company are deemed not to have quoted prices in active markets due to their low trading frequency, so their fair value is classified as Level 2. Share acquisition rights for other non-listed shares, etc. are valued using unobservable inputs, so their fair value is classified as Level 3.

Derivative transactions

Derivative transactions are valued based on prices, etc. quoted by counterparty financial institutions and other third parties, so their fair value is classified as Level 2.

Interest rate swaps subject to special treatment are treated together with the long-term borrowings they hedge, and their fair value is included in the fair value of the relevant long-term borrowings.

Long-term loans receivable and long-term loans receivable from subsidiaries and associates

These items are valued based on their present value, which is calculated by discounting future cash flows at an interest rate equal to an appropriate index such as the yield of government bonds plus the credit spread, so their fair value is classified as Level 2.

Guarantee deposits

Guarantee deposits are valued based on their present value, which is calculated by discounting future cash flows at a risk-free rate based on a reasonably estimated redemption date, so their fair value is classified as Level 2.

Bonds payable (including current portion)

Bonds issued by the Company are valued based on their present value, which is calculated by discounting the total amount of principal and interest at an interest rate that would be expected if a similar new issuance were to be made, so their fair value is classified as Level 2.

Convertible-bond-type bonds with share acquisition rights (including current portion)

Convertible-bond-type bonds with share acquisition rights issued by the Company are valued based on their present value, which is calculated by discounting the total amount of principal and interest at an interest rate that would be expected if a similar new issuance were to be made, so their fair value is classified as Level 2.

Long-term borrowings (including current portion)

Long-term borrowings are valued based on their present value, which is calculated by discounting the total amount of principal and interest at an interest rate that would be expected for similar new borrowings, so their fair value is classified as Level 2.

Some long-term borrowings are subject to the special treatment of interest rate swaps. These borrowings are valued based on their present value, which is calculated by discounting the total amount of principal and interest treated together with the relevant interest rate swaps, at an interest rate that would be expected for similar new borrowings, so their fair value is classified as Level 2.

Lease liabilities (including current portion)

Lease liabilities are valued based on their present value, which is calculated by discounting the total amount of principal and interest at an interest rate that would be expected for similar lease transactions, so their fair value is classified as Level 2.

(Note) 2. Information on Level 3 financial assets and financial liabilities carried at fair value on the consolidated balance sheet

Notes have been omitted as the items are not significant.

(Marketable securities)

1. Held-to-maturity securities

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	Type	Amounts recorded on consolidated balance sheet	Fair value	Difference
Securities with fair value exceeding carrying amount	(1) Bonds	10	10	0
	(2) Other	—	—	—
	Subtotal	10	10	0
Securities with fair value not exceeding carrying amount	(1) Bonds	10	9	(0)
	(2) Other	—	—	—
	Subtotal	10	9	(0)
Total		20	19	(0)

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

(Millions of yen)

	Type	Amounts recorded on consolidated balance sheet	Fair value	Difference
Securities with fair value exceeding carrying amount	(1) Bonds	10	10	0
	(2) Other	—	—	—
	Subtotal	10	10	0
Securities with fair value not exceeding carrying amount	(1) Bonds	110	108	(1)
	(2) Other	—	—	—
	Subtotal	110	108	(1)
Total		120	119	(0)

2. Available-for-sale securities

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	Type	Amounts recorded on consolidated balance sheet	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	(1) Stocks	—	—	—
	(2) Bonds	2	1	0
	(3) Other	—	—	—
	Subtotal	2	1	0
Securities with carrying amount not exceeding acquisition cost	(1) Stocks	13	13	(0)
	(2) Bonds	50	50	—
	(3) Other	190	200	(9)
	Subtotal	254	263	(9)
Total		256	265	(9)

(Note) Unlisted stocks (carrying amount of 3,126 million yen on the consolidated balance sheet) are not included in "Available-for-sale securities" in the table above as they are classified as shares, etc. without a determinable market value.

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

(Millions of yen)

	Type	Amounts recorded on consolidated balance sheet	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	(1) Stocks	29	28	0
	(2) Bonds	2	2	0
	(3) Other	2	2	0
	Subtotal	34	33	1
Securities with carrying amount not exceeding acquisition cost	(1) Stocks	22	22	(0)
	(2) Bonds	50	50	—
	(3) Other	354	354	—
	Subtotal	427	427	(0)
Total		462	461	1

(Note) Unlisted stocks (carrying amount of 2,742 million yen on the consolidated balance sheet) are not included in "Available-for-sale securities" in the table above as they are classified as shares, etc. without a determinable market value.

3. Available-for-sale securities sold

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

Type	Proceeds from sale	Gains on sale	Losses on sale
(1) Stocks	126	7	0
(2) Bonds	141	—	—
(3) Other	25	4	0
Total	293	12	0

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

(Millions of yen)

Type	Proceeds from sale	Gains on sale	Losses on sale
(1) Stocks	68	2	1
(2) Bonds	4	—	—
(3) Other	19	1	—
Total	92	4	1

4. Securities for which impairment losses were recognized

In the consolidated fiscal year ended October 31, 2023, an impairment loss of 323 million yen was recognized for marketable securities.

In the consolidated fiscal year ended October 31, 2024, an impairment loss of 518 million yen was recognized for marketable securities.

Impairment losses are recognized when the fair value of marketable securities drops below 50% of the acquisition cost, except in cases where the fair value is expected to recover. For shares without a determinable market value, the recoverability of their value is assessed by taking into consideration the financial condition and other relevant factors of the issuing company. If recoverability is determined to be unlikely, an impairment loss is recognized by writing the shares down to their actual value.

(Derivatives transactions)

1. Derivatives transactions not subject to hedge accounting

Currency-related transactions

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

There are no applicable matters to report.

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

There are no applicable matters to report.

2. Derivatives transactions subject to hedge accounting

Currency-related transactions

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc.	Contract amount, etc. over one year	Fair value
General method	Forward exchange contracts				
	Bought				
	USD	Trade accounts payable	454	—	(3)
	EUR		1	—	0
	GBP		4	—	0
	Sold				
	EUR	Accounts receivable - trade	885	497	27
Forward exchange contracts, etc. subject to designated hedge accounting (*furiate shori*)	Forward exchange contracts				(Note)
	Bought				
	USD	Trade accounts payable	272	—	
Total			1,617	497	23

(Note) Forward exchange contracts, etc. subject to designated hedge accounting (*furiate shori*) are treated together with hedged trade accounts payable, and their fair values are therefore included in those of the relevant trade accounts payable.

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

(Millions of yen)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc.	Contract amount, etc. over one year	Fair value
General method	Forward exchange contracts				
	Bought				
	USD	Trade accounts payable	1,765	—	66
	EUR		680	—	16
	GBP		6	0	0
	SGD		33	—	1
	AUD		84	—	2
	CHF		1	—	0
	Sold				
	EUR	Accounts receivable - trade	527	—	1
Forward exchange contracts, etc. subject to designated hedge accounting (*furiate shori*)	Forward exchange contracts				(Note)
	Bought				
	USD	Trade accounts payable	830	—	
	EUR		653	—	
	SGD		29	—	
Total			4,611	0	88

(Note) Forward exchange contracts, etc. subject to designated hedge accounting (*furiate shori*) are treated together with hedged trade accounts payable, and their fair values are therefore included in those of the relevant trade accounts payable.

(Provision for employee retirement benefits)

1. Outline of adopted employee retirement benefit plans

The Company and some of its consolidated subsidiaries have adopted funded and unfunded defined benefit and defined contribution plans to cover retirement benefits for their employees.

Defined benefit corporate pension plans provide lump-sum retirement benefits or pension benefits based on salary and years of service.

Retirement lump-sum plans provide lump-sum retirement benefits based on salary and years of service.

The retirement lump-sum plans adopted by some consolidated subsidiaries calculate liabilities and expenses for retirement benefits using the simplified method.

2. Defined benefit plan

(1) Reconciliation of balance of retirement benefit obligation at beginning and end of the year

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Retirement benefit obligation at beginning of year	8,101	8,103
Service cost	763	779
Interest cost	46	63
Actuarial differences	(25)	(327)
Retirement benefits paid	(783)	(638)
Decline accompanying the transfer to defined contribution pension plans	(38)	(94)
Foreign currency translation gains (losses)	40	10
Increase due to new consolidation	—	8
Projected benefit obligation at end of year	8,103	7,906

(Note) Certain consolidated subsidiaries use the simplified method to calculate projected benefit obligation.

(2) Reconciliation of balance of pension assets at beginning and end of the year

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Pension assets at beginning of year	2,538	2,681
Expected return on plan assets	41	48
Actuarial differences	138	95
Amount of employer contribution	107	94
Retirement benefits paid	(144)	(164)
Pension assets at end of year	2,681	2,755

(3) Reconciliation of balance of retirement benefit obligation and pension assets at end of fiscal year and retirement benefit liability and asset recorded on the consolidated balance sheet

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Retirement benefit obligation for funded plans	1,997	1,942
Pension assets	(2,681)	(2,755)
	(683)	(813)
Retirement benefit obligation for unfunded plans	6,106	5,964
Net liability and asset recorded on consolidated balance sheet	5,422	5,150
Retirement benefit liability	6,223	6,080
Retirement benefit asset	(800)	(929)
Net liability and asset recorded on consolidated balance sheet	5,422	5,150

(4) Retirement benefit expenses and breakdown

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Service costs	763	779
Interest costs	46	63
Expected return on plan assets	(41)	(48)
Amortization of actuarial differences	(177)	(94)
Amortization of prior service costs	2	2
Retirement benefit expenses related to defined-benefit plans	593	703

(Note) The retirement benefit expenses incurred by consolidated subsidiaries that adopt a simplified method of calculation are included under service costs.

(5) Adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) recorded as adjustments related to retirement benefits is shown below.

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Prior service costs	(2)	(2)
Actuarial differences	16	(339)
Total	13	(342)

(6) Cumulative adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) recorded as cumulative adjustments related to retirement benefits is shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Unrecognized prior service costs	4	1
Unrecognized actuarial differences	(204)	(543)
Total	(200)	(542)

(7) Items related to pension assets

1) Breakdown of principal pension assets

Main categories by percentage of total pension assets are shown below.

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Bonds	19%	20%
Stocks	31%	32%
Regular accounts	48%	45%
Other	2%	3%
Total	100%	100%

2) Method for setting long-term expected rate of return

When determining the long-term expected rate of return on pension assets, the Company considers the current and projected allocation of pension assets and the current and future long-term rates of return for the diverse assets that comprise its pension assets.

(8) Basis for calculating actuarial differences

Basis for calculating principal actuarial differences

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Discount rate	0.4%–1.3%	0.4%–1.5%
Long-term expected rate of return on plan assets	2.0%	2.0%

3. Defined contribution plan

The contributions to defined contribution plans by the Company and its consolidated subsidiaries were 182 million yen for the consolidated fiscal year ended October 31, 2023 and 194 million yen for the consolidated fiscal year ended October 31, 2024.

(Stock options)

1. Amount and account of expenses related to stock options

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Selling, general and administrative expenses	(212)	116

2. Description, scale, and changes of stock options

(1) Description of stock options

	Fourth series of stock options	Consolidated subsidiary (Cross E Holdings Co., Ltd.)
Category and number of grantees	Company directors: 5 Company employees: 1,152 Subsidiary directors: 45 Subsidiary employees: 235	Directors of said company: 4 Employees of said company: 44 Directors and employees of said company's subsidiaries: 24
Number of stock options by stock type	Common stock: 1,099,000	Common stock: 129,400
Grant date	March 25, 2024	September 27, 2019
Conditions for vesting	(1) Persons granted an allotment of the share acquisition rights (hereinafter, the "Rights Holders") must be directors or employees of the Company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors in any of the following cases or based on other justifiable reasons: resignations of directors after their terms have expired, resignations in conjunction with an appointment as a director, mandatory retirement for employees, and transfers prompted by an administrative order. (2) In the event of the death of a Rights Holder, the rights may not be exercised by the Rights Holder's heir. (3) Other conditions are as stipulated in the share acquisition rights allotment agreement concluded between the Company and the Rights Holder.	(1) Persons granted an allotment of the share acquisition rights (hereinafter, the "Rights Holders") must be directors, corporate auditors, employees, or advisors of the company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors in any of the following cases or based on other justifiable reasons: resignations of directors and corporate auditors after their terms have expired, and mandatory retirement for employees. (2) Common shares of the company must be listed on a financial instruments exchange. (3) In the event of the death of a Rights Holder, the rights may not be exercised by the Rights Holder's heir.
Requisite service period	Not specified	Not specified
Exercisable period	From April 1, 2027 to March 31, 2028	From September 25, 2021 to September 24, 2029

(Notes) 1. The share acquisition rights of Cross E Holdings Co., Ltd. were originally issued by Huis Ten Bosch Technical Center Co., Ltd. The obligations associated with these share acquisition rights were succeeded by Cross E Holdings Co., Ltd. on the date of its establishment (November 1, 2022) through a sole-share transfer conducted by Huis Ten Bosch Technical Center Co., Ltd.

2. Cross E Holdings Co., Ltd., by resolution of its Board of Directors on April 15, 2024, conducted a stock split at a ratio of two shares for each common share, effective May 1, 2024. The number of shares is presented on a post-split basis.

(2) Scale of stock options and related changes

Changes in the scale of stock options that existed in the year ended October 31, 2024 are shown below. The number of stock options is presented as the number of underlying shares.

1) Number of stock options

	Fourth series of stock options	Consolidated subsidiary (Cross E Holdings Co., Ltd.)
Non-vested (shares)		
As of October 31, 2023	―	121,600
Granted	1,099,000	―
Forfeited	14,300	1,200
Vested	―	120,400
Unvested	1,084,700	―
Vested (shares)		
As of October 31, 2023	―	120,400
Vested	―	―
Exercised	―	―
Forfeited	―	―
Unexercised	―	120,400

(Note) Cross E Holdings Co., Ltd., by resolution of its Board of Directors on April 15, 2024, conducted a stock split at a ratio of two shares for each common share, effective May 1, 2024. The number of shares is presented on a post-split basis.

2) Price information

	Fourth series of stock options	Consolidated subsidiary (Cross E Holdings Co., Ltd.)
Exercise price (yen)	1,941	725
Average share price at time of exercise (yen)	―	―
Fair value per share at grant date (yen)	555	―

(Note) Cross E Holdings Co., Ltd., by resolution of its Board of Directors on April 15, 2024, conducted a stock split at a ratio of two shares for each common share, effective May 1, 2024. The post-split exercise price is presented.

3. Method for estimating fair value of stock options

The filing company

The method used to estimate the fair value per unit of the fourth series of stock options granted during the fiscal year under review is as follows.

(1) Valuation method: Black-Scholes model

(2) Key inputs and estimation method

	Fourth series of stock options
Volatility of share price (Note 1)	38.52%
Expected remaining term (Note 2)	3.52 years
Expected dividend yield (Note 3)	0.000%
Risk-free interest rate (Note 4)	0.277%

(Notes) 1. Volatility is calculated based on the share price for the period that corresponds to the expected remaining term.
2. The expected remaining term is estimated based on the assumption that the options will be exercised at the midpoint of the exercise period.
3. The expected dividend yield is based on dividends paid in the consolidated fiscal year ended October 31, 2023.
4. The risk-free interest rate is the yield on government bonds with a maturity that corresponds to the expected remaining term.

Consolidated subsidiary (Cross E Holdings Co., Ltd.)

The fair value of the Cross E Holdings Co., Ltd. stock options is estimated as follows.

Because the company has been a private company as of the time the stock options were granted, the stock options are valued based on intrinsic rather than fair value.

The valuation method for the company’s shares, which forms the basis for the calculation of the intrinsic value of the stock options, is the discounted cash flow (DCF) method.

4. Method for estimating the number of stock options vested

The filing company

Future forfeiture of stock options is not factored in because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

Consolidated subsidiary (Cross E Holdings Co., Ltd.)

Since it is difficult to reasonably estimate the number of stock options that will be forfeited in the future, a method has been adopted in which only the number of actual forfeitures is reflected.

5. Total intrinsic value as of the end of the fiscal year under review and on the exercise dates of stock options exercised during the fiscal year under review, if calculated based on the intrinsic value per stock option unit

Consolidated subsidiary (Cross E Holdings Co., Ltd.)

(1) Total intrinsic value as of October 31, 2024	29,016 thousand yen
(2) Total intrinsic value at the exercise dates of stock options exercised during the fiscal year ended October 31, 2024	– thousand yen

(Tax effect accounting)

1. Principal components of deferred tax assets and deferred tax liabilities

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
(Deferred tax assets)		
Tax loss carryforwards (Note)	17,251	15,202
Retirement benefit liability	1,723	1,780
Provision for retirement benefits for directors (and other officers)	190	115
Depreciation	623	717
Non-deductible asset retirement obligation expenses	550	495
Long-term accounts payable - other	19	25
Excess allowance for doubtful accounts	171	254
Provision for bonuses	711	1,023
Accrued enterprise taxes	34	39
Unsettled gift certificates	425	377
Accrued social insurance premiums	100	142
Impairment losses	51	49
Deposits received of subsidy	2,368	2,368
Other	1,459	1,794
Deferred tax assets subtotal	25,681	24,386
Valuation allowance pertaining to tax loss carryforwards (Note)	(12,687)	(10,452)
Valuation allowance pertaining to total future deductible temporary differences	(4,543)	(3,228)
Valuation allowance subtotal	(17,230)	(13,681)
Deferred tax assets total	8,450	10,705
(Deferred tax liabilities)		
Revaluation reserve for land	(1,678)	(1,678)
Unrealized losses on non-current assets	(2,361)	(2,305)
Other	(1,640)	(1,260)
Deferred tax liabilities total	(5,680)	(5,244)
Net deferred tax assets (liabilities)	2,770	5,460

(Note) Tax loss carryforwards and related deferred tax assets by carryforward period

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Tax loss carryforwards (*1)	－	16	1	46	－	17,186	17,251
Valuation allowance	－	(14)	(1)	(45)	－	(12,625)	(12,687)
Deferred tax assets	－	1	－	1	－	4,560	(*2) 4,563

(*1) Tax loss carryforward figures are the amount multiplied by the effective statutory tax rate.

(*2) For the tax loss carryforward of 17,251 million yen (amount multiplied by effective statutory tax rate), deferred tax assets of 4,563 million yen were recorded. No valuation allowance was recognized for the portion of this tax loss carryforward that is determined to be recoverable on the basis of projected future taxable income.

Consolidated fiscal year ended October 31, 2024 (as of October 31, 2024)

(Millions of yen)

	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Tax loss carryforwards (*1)	11	1	44	－	109	15,034	15,202
Valuation allowance	(11)	(1)	(44)	－	(104)	(10,290)	(10,452)
Deferred tax assets	－	－	－	－	5	4,744	(*2) 4,750

(*1) Tax loss carryforward figures are the amount multiplied by the effective statutory tax rate.

(*2) For the tax loss carryforward of 15,202 million yen (amount multiplied by effective statutory tax rate), deferred tax assets of 4,750 million yen were recorded. No valuation allowance was recognized for the portion of this tax loss carryforward that is determined to be recoverable on the basis of projected future taxable income.

2. Major components of significant differences arising between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Effective statutory tax rate	Notes have been omitted as the Company recorded a loss before income taxes.	34.59%
(Adjustments)		
Goodwill amortization		1.26%
Non-deductible permanent items such as entertainment expenses		0.32%
Tax rate differences with overseas consolidated subsidiaries		(6.94%)
Increase (decrease) in valuation allowance		(41.63%)
Other		(0.39%)
Effective income tax rate after application of tax-effect accounting		(12.79%)

(Asset retirement obligations)

This information has been omitted as the overall value of asset retirement obligations is not significant.

(Rental and other properties)

The Company and some of its consolidated subsidiaries own rental office buildings, rental condominiums, and rental commercial facilities in Kumamoto Prefecture and other regions, from which they generate rental income. In the consolidated fiscal year ended October 31, 2023, revenue from rental properties amounted to 127 million yen (rental income was recorded under net sales on the consolidated statement of income, and primary rental expenses were recorded under selling, general and administrative expenses). In the consolidated fiscal year ended October 31, 2024, revenue from rental properties totaled 180 million yen (rental income was recorded under net sales on the consolidated statement of income, and primary rental expenses were recorded under selling, general and administrative expenses). The carrying amounts on the consolidated balance sheet, increase or decrease during the year, and fair value of the rental properties are as follows.

(Millions of yen)

		Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Amounts on consolidated balance sheet			
	Balance at beginning of period	39,133	38,432
	Increase (decrease) during period	(701)	(731)
	Balance at end of period	38,432	37,700
Fair value at end of period		42,259	36,321

(Notes) 1. The carrying amount on the consolidated balance sheet is calculated by deducting the accumulated depreciation from the acquisition cost.

2. Fair value at the end of the fiscal year was estimated by the Company based on real estate appraisal standards (including those adjusted using relevant indexes, etc.).

(Revenue recognition)

1. Information regarding disaggregated revenue from contracts with customers

The HIS Group has three reportable segments: the Travel business, the Hotel business, and the Kyushu Sanko Group. Revenue is disaggregated by region based on the location of the companies in the Group. The relationship between the disaggregated revenue and the revenue of each reportable segment (revenue from external customers) is shown below.

The information regarding disaggregated revenue from contracts with customers for the consolidated fiscal year ended October 31, 2023 has been restated based on the revised segment classifications applied in the consolidated fiscal year ended October 31, 2024, as described in “1. Outline of reportable segments” in “Segment information” under “Segment information, etc.”

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Reportable segments				Other (Note)	Total
	Travel business	Hotel business	Kyushu Sanko Group	Reportable segment total		
Japan	161,480	9,749	18,156	189,386	8,700	198,086
Americas	18,210	2,189	－	20,399	－	20,399
Asia	5,897	4,214	－	10,112	－	10,112
Oceania	(719)	－	－	(719)	－	(719)
Europe, Middle East, Africa	16,365	405	－	16,770	－	16,770
Revenue from contracts with customers	201,233	16,558	18,156	235,949	8,700	244,649
Other revenue	－	1,003	3,507	4,511	3,045	7,556
Sales to external customers	201,233	17,562	21,664	240,460	11,745	252,205

(Note) “Other” refers to businesses not included in the reportable segments, such as the theme park business, non-life insurance business, and real estate business.

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

(Millions of yen)

	Reportable segments				Other (Note)	Total
	Travel business	Hotel business	Kyushu Sanko Group	Reportable segment total		
Japan	215,161	12,338	20,295	247,795	10,639	258,434
Americas	24,509	3,022	—	27,532	—	27,532
Asia	16,461	5,665	—	22,127	—	22,127
Oceania	(596)	—	—	(596)	—	(596)
Europe, Middle East, Africa	27,160	475	—	27,636	—	27,636
Revenue from contracts with customers	282,696	21,503	20,295	324,495	10,639	335,135
Other revenue	—	1,022	3,676	4,699	3,499	8,199
Sales to external customers	282,696	22,526	23,972	329,195	14,138	343,334

(Note) "Other" refers to businesses not included in the reportable segments, such as the theme park business, non-life insurance business, and real estate business.

2. Basic information to understand revenue from contracts with customers

This information is provided in "(5) Accounting standard for recognition of significant revenues and expenses" in "4. Accounting policies" under "Significant matters that serve as the basis for preparation of the consolidated financial statements." In principle, the consideration for transactions is to be received before the performance obligation is satisfied. Even if the consideration is received after the performance obligation is satisfied, the contract normally does not include a significant financial component because the payment deadline arrives within a short period of time.

3. Information regarding the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers existing at the end of the fiscal year under review in the next consolidated fiscal year and beyond

(1) Balance of contract assets and liabilities, etc.

(Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Receivables from contracts with customers (balance at beginning of period)	11,380	24,504
Receivables from contracts with customers (balance at end of period)	24,504	25,177
Contract assets (balance at beginning of period)	125	207
Contract assets (balance at end of period)	207	235
Contract liabilities (balance at beginning of period)	30,418	48,908
Contract liabilities (balance at end of period)	48,908	47,492

Contract assets mainly relate to the rights of consolidated subsidiaries to revenue recognized as performance obligations are satisfied, in cases where consideration for construction transactions is received after performance obligations have been satisfied. Contract assets are transferred to receivables generated from contracts with customers when the consolidated subsidiary's right to consideration becomes unconditional. Contract liabilities mainly consist of advances received for travel products, etc. planned and arranged by the Company itself, travel gift certificates, and advances received for tuition fees at language schools. Contract liabilities are drawn upon in accordance with revenue recognition.

Of the amount of revenue recognized during the consolidated fiscal year ended October 31, 2023, the amount included in the contract liability balance as of the beginning of the fiscal year was 24,501 million yen.

Of the amount of revenue recognized during the consolidated fiscal year ended October 31, 2024, the amount included in the contract liability balance as of the beginning of the fiscal year was 44,108 million yen.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations on October 31, 2023 was 5,792 million yen. The remaining performance obligations mainly relate to travel tickets and other items included in package tours and similar products. Approximately 8.2% is expected to be recognized as revenue within one year after the end of the fiscal year, about 12.8% after two but within five years, and the remaining 79.1% after six years or later. The Company and its consolidated subsidiaries apply the practical expedient to notes on transaction prices allocated to remaining performance obligations, and contracts with an initially expected contract period of one year or less are not included in the notes.

The total transaction price allocated to the remaining performance obligations on October 31, 2024 was 5,270 million yen. The remaining performance obligations mainly relate to travel tickets and other items included in package tours and similar products. Approximately 8.6% is expected to be recognized as revenue within one year after the end of the fiscal year, about 14.0% after two but within five years, and the remaining 77.4% after six years or later. The Company and its consolidated subsidiaries apply the practical expedient to notes on transaction prices allocated to remaining performance obligations, and contracts with an initially expected contract period of one year or less are not included in the notes.

(Segment information, etc.)

[Segment information]

1. Outline of reportable segments

The HIS Group's reportable segments are constituent units of the Group for which separate financial information is available and which are regularly evaluated by the chief decision-making authority for the purpose of determining the allocation of management resources and assessing performance. The Group is composed of three businesses—the Travel business, the Hotel business, and the Kyushu Sanko Group—and carries out business activities under comprehensive domestic and overseas strategies. Accordingly, the Group has designated the Travel business, the Hotel business, and the Kyushu Sanko Group as its reportable segments.

In the Travel business, the HIS Group arranges, plans, and sells overseas and domestic travel products, and also conducts ancillary operations. In the Hotel business, the Group operates hotels in Japan, Taiwan, the United States, and Indonesia, and is also involved in ancillary operations. The Kyushu Sanko Group—whose holding company is KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.—is a business segment of the HIS Group and is engaged in vehicle transportation, real estate leasing, and other related operations.

In addition, the HIS Group conducted a strategic review of its business portfolio to focus on core areas and improve capital efficiency. As part of this initiative, the Group changed its segment classifications effective from the first quarter of the consolidated fiscal year ended October 31, 2024, to better align management practices with the actual state of its business activities. As a result, the segments were changed from the previous four—Travel business, Theme Park business, Hotel business, and Kyushu Sanko Group—to three: Travel business, Hotel business, and Kyushu Sanko Group. Consequently, Laguna Ten Bosch Co., Ltd. has been reclassified from the Theme Park business segment to Other.

The segment information for the consolidated fiscal year ended October 31, 2023 has been restated based on the revised segment classifications.

2. Calculation methods for net sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting methods used for reportable segments are largely the same as those discussed under "Significant matters that serve as the basis for preparation of the consolidated financial statements."

Segment profit figures represent operating profit.

Intersegment internal profits and transfers are based on market prices.

3. Information regarding net sales, profit (loss), assets, liabilities, and other items for each reportable segment

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Reportable segments				Other (Note) 1	Total	Adjustments (Note) 2	Amount recorded in consolidated financial statements (Note) 3
	Travel business	Hotel business	Kyushu Sanko Group	Reportable segment total				
Net sales								
Sales to external customers	201,233	17,562	21,664	240,460	11,745	252,205	0	252,205
Intersegment sales/transfers	1,114	374	11	1,500	244	1,745	(1,745)	—
Total	202,348	17,937	21,676	241,961	11,989	253,951	(1,745)	252,205
Segment profit	1,145	577	58	1,781	371	2,153	(518)	1,635
Segment assets	155,991	94,520	54,997	305,509	13,202	318,712	122,249	440,962
Other items								
Depreciation	3,555	4,114	1,733	9,403	509	9,912	523	10,435
Amortization of goodwill	496	8	—	505	7	512	—	512
Investment in entities accounted for using equity method	210	—	—	210	0	210	—	210
Increase in property, plant and equipment and intangible assets	2,505	2,089	1,329	5,924	420	6,345	729	7,074

(Notes) 1. “Other” refers to businesses not included in the reportable segments, such as the theme park business, non-life insurance business, and real estate business.

2. The details of adjustments are as follows:

(1) Adjustment on segment profit amounting to -518 million yen reflects corporate expenses not allocated to each reportable segment and refers to expenses at the parent company’s headquarters administrative departments, which are not attributable to reportable segments.

(2) Adjustment on segment assets amounting to 122,249 million yen includes -1,191 million yen in elimination of intersegment transactions and 123,441 million yen in corporate assets not allocated to each reportable segment. Corporate assets refer to surplus fund management (cash and deposits, and securities) at the parent company, and assets of administrative departments.

(3) Adjustment on depreciation amounting to 523 million yen is corporate depreciation not allocated to each reportable segment and refers to depreciation at the parent company’s headquarters administrative departments, which is not attributable to the reportable segments.

(4) Adjustment on increase in property, plant and equipment and intangible assets amounting to 729 million yen is capital investment at the parent company, which is not attributable to the reportable segments.

3. Segment profit is adjusted with the operating profit in the consolidated financial statements.

4. EBITDA for each reportable segment is shown below.

(Millions of yen)

	Travel business	Hotel business	Kyushu Sanko Group	Other	Total
Segment profit	1,145	577	58	371	2,153
Depreciation and goodwill amortization	4,051	4,123	1,733	516	10,424
EBITDA (*)	5,197	4,700	1,791	888	12,578

(*) EBITDA reflects segment profit plus depreciation and goodwill amortization.

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

(Millions of yen)

	Reportable segments				Other (Note) 1	Total	Adjustments (Note) 2	Amount recorded in consolidated financial statements (Note) 3
	Travel business	Hotel business	Kyushu Sanko Group	Reportable segment total				
Net sales								
Sales to external customers	282,696	22,526	23,972	329,195	14,138	343,333	0	343,334
Intersegment sales/transfers	1,276	463	13	1,752	1,715	3,468	(3,468)	—
Total	283,972	22,989	23,985	330,948	15,853	346,801	(3,467)	343,334
Segment profit	9,302	3,047	434	12,785	219	13,004	(2,149)	10,854
Segment assets	171,674	94,500	55,747	321,923	16,973	338,897	73,303	412,200
Other items								
Depreciation	3,847	4,065	1,743	9,655	570	10,226	771	10,998
Amortization of goodwill	327	6	—	333	16	349	—	349
Investment in entities accounted for using equity method	235	—	—	235	2,100	2,336	—	2,336
Increase in property, plant and equipment and intangible assets	4,767	2,986	1,308	9,062	862	9,925	55	9,980

(Notes) 1. “Other” refers to businesses not included in the reportable segments, such as the theme park business, non-life insurance business, and real estate business.

2. The details of adjustments are as follows:

(1) Adjustment on segment profit amounting to -2,149 million yen reflects corporate expenses not allocated to each reportable segment and refers to expenses at the parent company’s headquarters administrative departments, which are not attributable to reportable segments.

(2) Adjustment on segment assets amounting to 73,303 million yen includes -1,104 million yen in elimination of intersegment transactions and 74,408 million yen in corporate assets not allocated to each reportable segment. Corporate assets refer to surplus fund management (cash and deposits, and securities) at the parent company, and assets of administrative departments.

(3) Adjustment on depreciation amounting to 771 million yen is corporate depreciation not allocated to each reportable segment and refers to depreciation at the parent company’s headquarters administrative departments, which is not attributable to the reportable segments.

(4) Adjustment on increase in property, plant and equipment and intangible assets amounting to 55 million yen is capital investment at the parent company, which is not attributable to the reportable segments.

3. Segment profit is adjusted with the operating profit in the consolidated financial statements.

4. EBITDA for each reportable segment is shown below.

(Millions of yen)

	Travel business	Hotel business	Kyushu Sanko Group	Other	Total
Segment profit	9,302	3,047	434	219	13,004
Depreciation and goodwill amortization	4,174	4,071	1,743	586	10,575
EBITDA (*)	13,476	7,119	2,178	805	23,580

(*) EBITDA reflects segment profit plus depreciation and goodwill amortization.

[Related information]

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

1. Information by product and service

This information has been omitted because similar information is included under the “Segment information, etc.” section.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
205,588	20,399	10,166	(719)	16,770	252,205

(2) Property, plant and equipment

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
137,604	10,187	14,343	17	5,531	167,682

3. Information by major customer

This information has been omitted as there were no sales from a single external customer accounting for 10% or more of net sales on the consolidated statement of income.

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

1. Information by product and service

This information has been omitted because similar information is included under the “Segment information, etc.” section.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
266,547	27,532	22,214	(596)	27,636	343,334

(2) Property, plant and equipment

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
136,333	9,048	12,956	14	5,751	164,104

3. Information by major customer

This information has been omitted as there were no sales from a single external customer accounting for 10% or more of net sales on the consolidated statement of income.

[Information regarding impairment losses on non-current assets by reportable segment]
Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Reportable segments				Other (Note)	Corporate and elimination	Total
	Travel business	Hotel business	Kyushu Sanko Group	Reportable segment total			
Impairment losses	651	2,200	42	2,895	―	―	2,895

(Note) "Other" refers to amounts associated with businesses such as the theme park business, non-life insurance business, and real estate business.

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

(Millions of yen)

	Reportable segments				Other (Note)	Corporate and elimination	Total
	Travel business	Hotel business	Kyushu Sanko Group	Reportable segment total			
Impairment losses	472	0	23	496	62	―	558

(Note) "Other" refers to amounts associated with businesses such as the theme park business, non-life insurance business, and real estate business.

[Information regarding amortization of goodwill and unamortized balance by reportable segment]
Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Reportable segments				Other (Note)	Corporate and elimination	Total
	Travel business	Hotel business	Kyushu Sanko Group	Reportable segment total			
Amortization for the year ended October 31, 2023	496	8	―	505	7	―	512
Unamortized balance as of October 31, 2023	2,051	8	―	2,060	32	―	2,092

(Note) "Other" refers to amounts associated with businesses such as the theme park business, non-life insurance business, and real estate business.

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

(Millions of yen)

	Reportable segments				Other (Note)	Corporate and elimination	Total
	Travel business	Hotel business	Kyushu Sanko Group	Reportable segment total			
Amortization for the year ended October 31, 2024	327	6	―	333	16	―	349
Unamortized balance as of October 31, 2024	1,914	1	―	1,916	39	―	1,956

(Note) "Other" refers to amounts associated with businesses such as the theme park business, non-life insurance business, and real estate business.

[Information regarding gain on bargain purchase by reportable segment]
Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
There were no significant gains on bargain purchase to report.

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
There were no significant gains on bargain purchase to report.

(Related parties)

1. Transactions with related parties

(1) Transactions between the filing company and related parties

(a) Non-consolidated subsidiaries of the filing company

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

There are no applicable matters to report.

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

There are no applicable matters to report.

(b) Directors (and other officers) and major shareholders of the filing company, etc. (only in the case of individuals)

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

Category	Name	Location	Paid-in capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction amount (millions of yen)	Item	Balance at end of period (millions of yen)
Directors (and other officers) of the Company or their relatives	Sawada Hideo	—	—	Director and Top Advisor of the Company	(Held) Direct 24.1%	—	Purchase of subsidiary shares (Note 2)	11	—	—
							Disposal of treasury shares accompanying the exercise of share acquisition rights (Note 3)	1,899	—	—
Entities in which directors (and other officers) of the Company or their relatives hold a majority of voting rights	Hide Inter Ltd. (Note 1)	Shibuya-ku, Tokyo	5	Real estate purchasing and sales, leasing management, and brokerage	(Held) Direct 5.0%	—	Purchase of subsidiary shares (Note 2)	141	—	—

Conditions of transactions and policy for determining such conditions, etc.

(Notes) 1. Sawada Hideo, Director and Top Advisor of the Company, owns 100% of the voting rights in Hide Inter Ltd.

2. For subsidiary share purchases, the value of the shares was determined while taking into consideration the results of a valuation by a third-party appraiser in order to ensure fairness and appropriateness.

3. The exercise of share acquisition rights shows the portion of the share acquisition rights granted through a resolution of the Board of Directors at the meeting held on October 2, 2020 that was exercised in the consolidated fiscal year ended October 31, 2023. The transaction amount reflects the book value recorded by the Company at the time of disposal of the treasury shares in the consolidated fiscal year ended October 31, 2023.

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

There are no applicable matters to report.

(2) Transactions between consolidated subsidiaries of the filing company and related parties

Directors (and other officers) and major shareholders of the filing company, etc. (only in the case of individuals)

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

Category	Name	Location	Paid-in capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction amount (millions of yen)	Item	Balance at end of period (millions of yen)
Entities in which directors (and other officers) of the Company or their relatives hold a majority of voting rights (including subsidiaries of such entities)	Kyoritsu Building Co., Ltd.	Shibuya-ku, Tokyo	10	Real estate rental management	—	Real estate leasing	Payment of rent (Notes 1, 2)	10	Prepaid expenses	0

Conditions of transactions and policy for determining such conditions, etc.

(Notes) 1. Transactions are governed by the same conditions as for unrelated parties.

2. A close relative of the Company’s Director and Top Advisor Sawada Hideo owns 100.0% of the voting rights in Kyoritsu Building, Co., Ltd.

Consolidated fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

Category	Name	Location	Paid-in capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction amount (millions of yen)	Item	Balance at end of period (millions of yen)
Entities in which directors (and other officers) of the Company or their relatives hold a majority of voting rights (including subsidiaries of such entities)	Kyoritsu Building Co., Ltd.	Shibuya-ku, Tokyo	10	Real estate rental management	–	Real estate leasing	Payment of rent (Notes 1, 2)	10	Guarantee deposits (Notes 1, 2)	6
									Prepaid expenses	0

Conditions of transactions and policy for determining such conditions, etc.

(Notes) 1. Transactions are governed by the same conditions as for unrelated parties.

2. A close relative of Sawada Hideo, the Company's Top Advisor, owns 100.0% of the voting rights in Kyoritsu Building, Co., Ltd.

2. Notes concerning the parent company and significant associates

(1) Information regarding the parent company

There are no applicable matters to report.

(2) Summary of financial information for significant associates

There are no applicable matters to report.

(Per share information)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Net assets per share	543.16 yen	695.47 yen
Earnings (loss) per share	(35.49) yen	116.67 yen
Diluted earnings per share	—	109.79 yen

(Notes) 1. Although there were dilutive shares, diluted earnings per share for the fiscal year ended October 31, 2023 are not presented due to the recording of a loss per share.

2. The basis of calculation for earnings (loss) per share and diluted earnings per share is shown below.

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (millions of yen)	(2,628)	8,717
Amount not attributable to common shareholders (millions of yen)	—	—
Profit (loss) attributable to owners of parent applicable to common shares (millions of yen)	(2,628)	8,717
Average number of shares outstanding during the fiscal year (thousand shares)	74,074	74,720
Diluted earnings per share		
Adjusted profit attributable to owners of parent (millions of yen)	—	(11)
Of which, interest income after deduction of tax equivalents (millions of yen)	—	(11)
Increase in number of common shares (thousand shares)	—	4,574
Of which, convertible bonds (thousand shares)	—	4,574
Overview of dilutive shares not included in the calculation of diluted earnings per share due to having no dilutive effect	—	Fifth series of share acquisition rights, approved by resolution of the Board of Directors on November 2, 2021 Number of share acquisition rights: 17,214 (Equivalent to 1,721,400 shares of common stock) Sixth series of share acquisition rights, approved by resolution of the Board of Directors on November 22, 2021 Number of share acquisition rights: 18,280 (Equivalent to 1,828,000 shares of common stock) Seventh series of share acquisition rights, approved by resolution of the Board of Directors on December 13, 2021 Number of share acquisition rights: 23,252 (Equivalent to 2,325,200 shares of common stock) Eighth series of share acquisition

		rights, approved by resolution of the Board of Directors on January 26, 2024 Number of share acquisition rights: 10,990 (Equivalent to 1,099,000 shares of common stock)

(Important subsequent events)

There are no applicable matters to report.

5) Consolidated Supplementary Schedules

[Schedule of corporate bonds]

Company	Issue	Issue date	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Interest rate (%)	Collateral	Maturity date
H.I.S. Co., Ltd.	Euro-yen denominated convertible-bond-type bonds with share acquisition rights due 2024 (Note) 1	November 16, 2017	25,018	25,000 (25,000)	—	None	November 15, 2024
H.I.S. Co., Ltd.	Third series of unsecured bonds	February 20, 2017	15,000 (15,000)	—	0.440	None	February 20, 2024
H.I.S. Co., Ltd.	Fourth series of unsecured bonds	February 20, 2017	5,000	5,000	0.580	None	February 19, 2027
Total	—	—	45,018 (15,000)	30,000 (25,000)	—	—	—

(Notes) 1. Amounts in parentheses in the “Balance at beginning of period” and “Balance at end of period” columns represent the current portion of bonds payable.

2. An overview of bonds with share acquisition rights is shown below.

Shares to be issued	Common stock
Issue price of share acquisition rights (yen)	No charge
Issue price of new shares (yen)	5,465.2
Total issue amount (millions of yen)	25,000
Total issue amount for shares issued upon exercise of share acquisition rights (millions of yen)	—
Percentage of share acquisition rights granted	100%
Exercise period of share acquisition rights	From November 30, 2017 to November 1, 2024

When receiving a request from a person who intends to exercise the share acquisition rights above, in place of a payment owed to such person at maturity of bonds attached to the share acquisition rights, it will be deemed that such person has paid in full the amount payable upon exercise of the rights. When share acquisition rights are exercised, it shall be deemed that such a request has been received.

3. Redemption amounts within five years of the consolidated closing date are shown below.

(Millions of yen)

1 year or less	1–2 years	2–3 years	3–4 years	4–5 years
25,000	—	5,000	—	—

[Schedule of borrowings, etc.]

Classification	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	51,326	9,852	1.20	—
Current portion of long-term borrowings	32,128	67,673	1.01	—
Current portion of lease liabilities	3,111	2,660	—	—
Long-term borrowings (excluding current portion)	123,403	91,569	0.63	2025–2041
Lease liabilities (excluding current portion)	11,164	10,109	—	2025–2041
Other interest-bearing debt	—	—	—	—
Total	221,133	181,866	—	—

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance of borrowings at the end of the fiscal year.

2. The average interest rate for lease liabilities is not presented, as lease liabilities recorded on the consolidated balance sheet are amounts prior to the deduction of the interest expense equivalent, which is included in total leasing fees.

3. Repayment amounts within five years of the consolidated closing date for long-term borrowings and lease liabilities (excluding current portions) are shown below.

(Millions of yen)

	1–2 years	2–3 years	3–4 years	4–5 years
Long-term borrowings	44,439	4,779	23,246	2,510
Lease liabilities	2,177	1,935	1,605	1,210

[Schedule of asset retirement obligations]

Asset retirement obligations at the beginning and end of the fiscal year under review are below 1% of the total liabilities and net assets at the beginning and end of the fiscal year under review. The information has therefore been omitted in accordance with the provisions in Article 92, Paragraph 2 of the Regulations on Consolidated Financial Statements.

(2) Others

Quarterly information for the consolidated fiscal year ended October 31, 2024

(Cumulative period)	First quarter	Second quarter	Third quarter	Full year
Net sales (millions of yen)	80,279	160,930	237,337	343,334
Profit before income taxes (millions of yen)	3,463	6,121	5,889	8,526
Profit attributable to owners of parent (millions of yen)	2,373	3,648	3,579	8,717
Earnings per share (yen)	31.77	48.83	47.91	116.67

(Quarterly period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings (loss) per share (yen)	31.77	17.06	(0.92)	68.75

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheet

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Assets		
Current assets		
Cash and deposits	93,787	60,078
Accounts receivable - trade	13,602	11,163
Trade accounts receivable	472	392
Travel advance payments	6,137	6,678
Prepaid expenses	709	794
Accrued revenue	265	303
Short-term loans receivable	45	267
Short-term loans receivable from subsidiaries and associates	4,293	5,681
Accounts receivable - other	11,302	10,868
Other	2,971	3,296
Allowance for doubtful accounts	(460)	(542)
Total current assets	133,127	98,981
Non-current assets		
Property, plant and equipment		
Buildings	*1 9,639	9,908
Vehicles	0	0
Tools, furniture and fixtures	254	428
Land	*1 24,915	24,915
Construction in progress	56	21
Other	657	523
Total property, plant and equipment	35,523	35,797
Intangible assets		
Trademark right	34	48
Telephone subscription right	82	82
Software	1,616	1,962
Other	94	657
Total intangible assets	1,827	2,751
Investments and other assets		
Investment securities	1,467	1,084
Shares of subsidiaries and associates	53,263	54,979
Investments in capital of subsidiaries and associates	1,303	1,334
Long-term loans receivable	188	—
Long-term loans receivable from subsidiaries and associates	77,253	77,836
Long-term prepaid expenses	9	14
Deferred tax assets	3,783	6,069
Guarantee deposits	16,962	5,323
Distressed receivables	116	116
Other	10	16
Allowance for doubtful accounts	(4,953)	(3,632)
Total investments and other assets	149,406	143,142
Total non-current assets	186,757	181,691
Deferred assets		
Share issuance costs	14	0
Bond issuance costs	21	6
Total deferred assets	35	7
Total assets	319,920	280,680

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Liabilities		
Current liabilities		
Trade accounts payable	6,364	7,326
Short-term borrowings	43,470	—
Short-term borrowings from subsidiaries and associates	500	500
Current portion of bonds payable	*6 15,000	—
Current portion of convertible-bond-type bonds with share acquisition rights	—	*6 25,000
Current portion of long-term borrowings	27,243	65,795
Accounts payable - other	6,025	7,040
Accrued expenses	1,183	1,251
Income taxes payable	67	77
Accrued consumption taxes	313	—
Travel advances received	23,605	28,196
Deposits received of subsidy	*7 6,256	*7 6,256
Insurance deposits	353	239
Gift certificates	5,637	5,150
Provision for bonuses	1,622	2,238
Other	14,284	13,327
Total current liabilities	151,929	162,400
Non-current liabilities		
Bonds payable	*6 5,000	*6 5,000
Convertible-bond-type bonds with share acquisition rights	*6 25,018	—
Long-term borrowings	*1, *5 97,189	*5 67,372
Provision for retirement benefits	3,917	3,940
Long-term guarantee deposits	3	9
Other	706	215
Total non-current liabilities	131,836	76,538
Total liabilities	283,765	238,938
Net assets		
Shareholders’ equity		
Share capital	100	100
Capital surplus		
Legal capital surplus	25	25
Other capital surplus	28,117	28,107
Total capital surpluses	28,142	28,132
Retained earnings		
Legal retained earnings	246	246
Other retained earnings		
General reserve	15,565	15,565
Retained earnings brought forward	4,906	10,367
Total retained earnings	20,717	26,179
Treasury shares	(13,046)	(13,015)
Total shareholders’ equity	35,913	41,396
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	75	10
Deferred gains or losses on hedges	—	51
Total valuation and translation adjustments	75	62
Share acquisition rights	165	282
Total net assets	36,154	41,741
Total liabilities and net assets	319,920	280,680

2) Non-consolidated Statement of Income

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Net sales		
Overseas travel sales	80,955	128,694
Domestic travel sales	44,943	40,707
Other	6,983	7,142
Total net sales	*2 132,882	*2 176,544
Cost of sales		
Cost of overseas travel sales	59,493	97,760
Cost of domestic travel sales	36,225	32,068
Other	2,398	2,151
Total cost of sales	*2 98,117	*2 131,980
Gross profit	34,765	44,563
Selling, general and administrative expenses	*1 34,222	*1 42,015
Operating profit	542	2,548
Non-operating income		
Interest income	508	571
Dividend income	43	825
Foreign exchange gains	360	103
Other	151	203
Total non-operating income	*2 1,065	*2 1,704
Non-operating expenses		
Interest expenses	1,625	1,721
Commission expenses	110	68
Bad debt expenses	—	21
Other	158	137
Total non-operating expenses	*2 1,894	*2 1,948
Ordinary profit (loss)	(286)	2,304
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	248	479
Reversal of allowance for doubtful accounts	*3 571	*3 1,664
Subsidy income	241	—
Total extraordinary income	1,060	2,143
Extraordinary losses		
Loss on valuation of investment securities	323	502
Loss on valuation of shares of subsidiaries and associates	414	135
Loss on sale of non-current assets	—	21
Loss on valuation of other investments	203	—
Loss on sale of other investments	730	—
Provision of allowance for doubtful accounts	*4 143	*4 499
Other	7	—
Total extraordinary losses	1,822	1,159
Profit (loss) before income taxes	(1,047)	3,289
Income taxes - current	79	108
Income taxes - deferred	(695)	(2,280)
Total income taxes	(616)	(2,172)
Profit (loss)	(431)	5,461

3) Non-consolidated Statement of Changes in Equity

Fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	100	25	28,761	28,786	246	15,565	5,337	21,148
Changes during period								
Profit (loss)							(431)	(431)
Purchase of treasury shares								
Disposal of treasury shares			(643)	(643)				
Net changes in items other than shareholders' equity								
Total changes during period	―	―	(643)	(643)	―	―	(431)	(431)
Balance at end of period	100	25	28,117	28,142	246	15,565	4,906	20,717

	Shareholders' equity		Valuation and translation adjustments				
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Share acquisition rights	Total net assets
Balance at beginning of period	(14,972)	35,062	241	―	241	399	35,704
Changes during period							
Profit (loss)		(431)					(431)
Purchase of treasury shares	(0)	(0)					(0)
Disposal of treasury shares	1,926	1,282					1,282
Net changes in items other than shareholders' equity		―	(166)		(166)	(234)	(400)
Total changes during period	1,925	850	(166)	―	(166)	(234)	450
Balance at end of period	(13,046)	35,913	75	―	75	165	36,154

Fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings: General reserve	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at beginning of period	100	25	28,117	28,142	246	15,565	4,906	20,717
Changes during period								
Profit							5,461	5,461
Purchase of treasury shares								
Disposal of treasury shares			(9)	(9)				
Net changes in items other than shareholders' equity								
Total changes during period	−	−	(9)	(9)	−	−	5,461	5,461
Balance at end of period	100	25	28,107	28,132	246	15,565	10,367	26,179

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(13,046)	35,913	75	−	75	165	36,154
Changes during period							
Profit		5,461					5,461
Purchase of treasury shares	(0)	(0)					(0)
Disposal of treasury shares	31	22					22
Net changes in items other than shareholders' equity		−	(64)	51	(12)	116	103
Total changes during period	31	5,483	(64)	51	(12)	116	5,587
Balance at end of period	(13,015)	41,396	10	51	62	282	41,741

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Valuation standard and method for securities

(1) Shares of subsidiaries and associates and investments in capital of subsidiaries and associates

Stated at cost using the moving average method.

(2) Available-for-sale securities

1) Securities other than shares, etc. without a determinable market value

Stated at fair value (with any unrealized gains or losses reported directly as a component of net assets, and the cost of securities sold calculated by the moving average method).

2) Shares, etc. without a determinable market value

Stated at cost using the moving average method.

2. Valuation standard and method for derivatives

Stated at fair value.

3. Depreciation method for non-current assets

(1) Property, plant and equipment (excluding leased assets)

The Company applies the straight-line method for buildings (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016. For other property, plant and equipment, the declining balance method is applied.

The ranges of useful life for property, plant and equipment are mainly as shown below.

Buildings	3–50 years
Tools, furniture and fixtures	3–20 years

(2) Intangible assets (excluding leased assets)

The straight-line method is applied.

In addition, software used in-house is depreciated over its useful life (five years) based on the straight-line method.

(3) Leased assets

Leased assets are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual value.

(4) Long-term prepaid expenses

The straight-line method is applied.

4. Accounting method for deferred assets

(1) Share issuance costs

Share issuance costs are amortized by the straight-line method over three years.

(2) Bond issuance costs

Bond issuance costs are amortized in equal amounts over the period through redemption.

5. Standard for translation of foreign currency-denominated assets or liabilities into Japanese yen

Monetary claims and liabilities denominated in foreign currency are translated into yen at the spot exchange rate prevailing on the fiscal closing date, and the difference arising from such translation is recorded as profit or losses.

6. Accounting standards for provisions

(1) Allowance for doubtful accounts

To prepare for losses from uncollectible receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.

(2) Provision for bonuses

To provide for bonus payments to employees, a provision for bonuses is recorded based on estimated future payments.

(3) Provision for retirement benefits

To prepare for retirement benefit payments to employees, a provision for retirement benefits is recorded in the amount based on the retirement benefit obligation at the end of the fiscal year under review.

Actuarial gains or losses are treated as a lump-sum expense in the fiscal year following the year in which they arise.

7. Accounting standard for recognition of revenues and expenses

The details of the main performance obligations in key businesses related to revenue arising from contracts with customers of the Company, and the normal timing of satisfying such performance obligations (normal timing of recognizing revenue) are as follows.

(1) Own package tour products

There is an obligation to arrange and manage trips so that customers can receive transportation, accommodation, and other travel-related services provided by transportation and accommodation facilities, etc. in accordance with the itinerary set by the Company. Therefore, revenue is recognized over the duration of the trip.

(2) Agents sales of arranged tours, etc.

There is an obligation to make arrangements by acting as an agent, intermediary, or facilitator on behalf of travelers so that they can receive transportation, accommodation, and other travel-related services provided by transportation and accommodation facilities, etc. Therefore, revenue is recognized based on the date of completion of such arrangements, and as an agent transaction, revenue is recognized as the net amount after deducting the amount payable to the suppliers from the amount received from customers.

8. Hedge accounting methods

(1) Hedge accounting methods

The Company in principle accounts for hedging transactions on a deferred basis. It applies the designated hedge accounting treatment (*furiate shori*) to forward exchange contracts and other items that qualify for designated hedge accounting, and the exceptional accounting treatment (*tokurei shori*) to interest rate swaps and other items that qualify for exceptional accounting.

(2) Hedging instruments and hedged items

a. Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency-denominated trade accounts payable, foreign currency-denominated accounts payable - other

b. Hedging instruments: Interest rate swaps

Hedged items: Borrowings

(3) Hedging policy

The Company hedges against foreign exchange fluctuation risk and interest rate fluctuation risk in accordance with its internal Financial Risk Management Regulations.

(4) Evaluation of hedge effectiveness

The effectiveness of hedging is assessed by comparing the cumulative total of the market fluctuations or the cash flow fluctuations for the hedged items with that of the market fluctuations or the cash flow fluctuations for the hedging instrument every six months, and analyzing the fluctuation amount, etc. for the two. However, the effectiveness of hedging is not evaluated for interest rate swaps subject to exceptional accounting treatment.

9. Other significant matters for the preparation of non-consolidated financial statements

(1) Accounting method for retirement benefits

Unrecognized actuarial differences, unrecognized prior service cost, and unsettled differences arising from transitional obligations related to retirement benefits are accounted for using a different method than in the consolidated financial statements.

(2) Accounting treatment of investments in capital of subsidiaries and associates

For investments in partnerships under the Civil Code, based on the partnership's recent financial position and profit or loss, the amount corresponding to the Company's ownership interest in the partnership's net assets is recorded on the balance sheet as investments in capital of subsidiaries and associates, and the amount corresponding to the Company's share of the partnership's profit or loss is recorded in the income statement.

(Significant accounting estimates)

1. Recoverability of deferred tax assets

(1) Amounts recorded in non-consolidated financial statements

(Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Deferred tax assets	3,783	6,069

(2) Other information related to estimates

i) Calculation method for the amount recorded in non-consolidated financial statements in the fiscal year under review

The Company recognized deferred tax assets for tax loss carryforwards and deductible temporary differences to the extent that they were expected to reduce the amounts of future tax payments. In determining the likelihood of generating taxable income, the Company based its assessment on the HIS Group's medium-term management plan and reasonably estimated the timing and amount of future taxable income to calculate the recognized amount.

ii) Main assumptions used in calculation of the amount recorded in non-consolidated financial statements in the fiscal year under review

In assessing the recoverability of deferred tax assets as of October 31, 2024, the Company estimated future taxable income based on the Group's medium-term management plan and the future plans of each subsidiary and associate. As key assumptions, it incorporated the projected sales volumes of the Group's products and services, as determined based on market trends, customer demand forecasts, and other factors.

iii) Impact on non-consolidated financial statements in the next fiscal year

If actual market conditions and the recovery in travel demand worsen beyond the estimates of the management of the Company going forward, this may result in a reversal of deferred tax assets and have an impact on the financial condition and management performance of the Company.

2. Valuation of investments in and loans issued to subsidiaries and associates

(1) Amounts recorded in non-consolidated financial statements

(Millions of yen)

	Year ended October 31, 2023	Year ended October 31, 2024
Shares of subsidiaries and associates	53,263	54,979
Investments in capital of subsidiaries and associates	1,303	1,334
Short-term loans receivable from subsidiaries and associates	4,293	5,681
Long-term loans receivable from subsidiaries and associates	77,253	77,836
Allowance for doubtful accounts related to the above	(4,709)	(3,585)

(2) Other information related to estimates

i) Calculation method for the amount recorded in non-consolidated financial statements in the fiscal year under review

For shares of subsidiaries and associates and investments in capital of subsidiaries and associates, if the actual value fell significantly below the book value, the Company recorded impairment charges except when there was sufficient proof of recoverability based on its future plans. For loans receivable from subsidiaries and associates, the Company considered the recoverability of each loan and recorded allowances for doubtful accounts for estimated unrecoverable amounts. In addition, for investments in capital of subsidiaries and associates (investments in partnerships under the Civil Code), the amount was calculated in accordance with the financial reporting stipulated in the partnership agreement based on the most recently available financial statements, using a method that reflected the amount corresponding to the Company's ownership interest on a net basis.

ii) Main assumptions used in calculation of the amount recorded in non-consolidated financial statements in the fiscal year under review

In valuing investments in and loans issued to subsidiaries and associates as of October 31, 2024, the Company assessed the recoverability of shares of subsidiaries and associates, investments in capital of subsidiaries and associates, and loans receivable from subsidiaries and associates based on the HIS Group's medium-term management plan and the future plans of each subsidiary and associate, and incorporated as key assumptions the projected sales volumes of the Group's products and services, as determined based on market trends, customer demand forecasts, and other factors.

iii) Impact on non-consolidated financial statements in the next fiscal year

If actual market conditions and the recovery in travel demand worsen beyond the estimates of the management of the subsidiaries and associates going forward, this may result in the booking of losses by the Company in the form of impairment charges on its shares of subsidiaries and associates and investments in capital of such subsidiaries and associates, or allowances for doubtful accounts against loans issued to such subsidiaries and associates, and this may have an impact on the financial condition and management performance of the Company.

(Non-consolidated balance sheet)

*1. Assets and liabilities recognized as financial transactions

In accordance with the "Practical Guidelines for Transferer Accounting Pertaining to Real Estate Securitization through Special Purpose Companies" (Japan Institute of Certified Public Accountants [JICPA], Accounting System Committee Report No. 15), the Company recognized the following assets and liabilities as financial transactions.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Buildings	7,591	—
Land	24,445	—
Long-term borrowings	32,404	—

2. Contingent liabilities

(1) The Company guarantees bank loans, etc. for the following companies up to the amounts shown below.

Year ended October 31, 2023 (As of October 31, 2023)		Year ended October 31, 2024 (As of October 31, 2024)	
Japan Holiday Travel Co., Ltd.	1,850 million yen	Japan Holiday Travel Co., Ltd.	1,850 million yen
Green World Hotels Co., Ltd.	380,000 thousand TWD (1,755 million yen)	Green World Hotels Co., Ltd.	340,000 thousand TWD (1,635 million yen)
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	691,000 thousand yen 3,210 thousand USD (1,170 million yen)	FLY HUB TRAVEL PTE. LTD.	10,300 thousand SGD (1,195 million yen)
FLY HUB TRAVEL PTE. LTD.	7,000 thousand SGD (767 million yen)	HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	691,000 thousand yen 3,000 thousand USD (1,151 million yen)
Miki Tourist Co., Ltd.	372,230 thousand yen 254 thousand USD (410 million yen)	H.I.S. Hotel Holdings Co., Ltd.	235 million yen
H.I.S. Hotel Holdings Co., Ltd.	235 million yen	H.I.S. Tours Co., Ltd.	50,000 thousand THB (227 million yen)
H.I.S. Tours Co., Ltd.	50,000 thousand THB (208 million yen)	H.I.S. INTERNATIONAL TOURS (NY) INC.	1,005 thousand USD (154 million yen)
H.I.S. INTERNATIONAL TOURS (NY) INC.	955 thousand USD (142 million yen)	Merit Travel Group Inc.	1,200 thousand CAD (132 million yen)
Merit Travel Group Inc.	1,200 thousand CAD (129 million yen)	H.I.S. - MERIT TRAVEL INC.	1,000 thousand CAD (110 million yen)
H.I.S. - MERIT TRAVEL INC.	1,000 thousand CAD (108 million yen)	H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD.	100 million yen
H.I.S. Deutschland Touristik GmbH	396 thousand EUR (62 million yen)	H.I.S. Deutschland Touristik GmbH	396 thousand EUR (66 million yen)
HAWAII HIS CORPORATION	420 thousand USD (62 million yen)	HAWAII HIS CORPORATION	420 thousand USD (64 million yen)
HIS INTERNATIONAL TOURS FRANCE SAS	273 thousand EUR (43 million yen)	H I S TRAVEL & TOURISM L.L.C	250 thousand USD 100 thousand EUR (55 million yen)
H.I.S. TRAVEL (MALAYSIA) SDN BHD.	1,132 thousand MYR (35 million yen)	HIS INTERNATIONAL TOURS FRANCE SAS	273 thousand EUR (45 million yen)
H I S TRAVEL & TOURISM L.L.C	100 thousand EUR (15 million yen)	H.I.S. TRAVEL (MALAYSIA) SDN. BHD.	1,284 thousand MYR (45 million yen)
H.I.S. CANADA INC.	94 thousand CAD (10 million yen)	Miki Tourist Co., Ltd.	121 thousand USD (18 million yen)
H.I.S. Travel Nederland B.V.	55 thousand EUR (8 million yen)	H.I.S. Travel Nederland B.V.	55 thousand EUR (9 million yen)

(2) The Company guarantees business transaction payments for the following companies.

Year ended October 31, 2023 (As of October 31, 2023)		Year ended October 31, 2024 (As of October 31, 2024)	
・Guarantee with specified amount		・Guarantee with specified amount	
QUALITA Co., Ltd.	20 million yen	QUALITA Co., Ltd.	10 million yen
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	2,000 thousand USD (299 million yen)	HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	2,000 thousand USD (307 million yen)
H.I.S. Okinawa Co., Ltd.	20 million yen	H.I.S. Okinawa Co., Ltd.	10 million yen
TOUR WAVE CO., LTD.	10 million yen	GUAM REEF HOTEL, INC.	3,660 thousand USD (562 million yen)
・Guarantee without specified amount		・Guarantee without specified amount	
QUALITA Co., Ltd.	Payment guarantee for trade payables	QUALITA Co., Ltd.	Payment guarantee for trade payables
H.I.S. Okinawa Co., Ltd.	Payment guarantee for trade payables	H.I.S. Okinawa Co., Ltd.	Payment guarantee for trade payables
H.I.S. Management Consulting DMCC	Payment guarantee for trade payables	H.I.S. Management Consulting DMCC	Payment guarantee for trade payables
FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables	FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables
H.I.S. Okinawa Co., Ltd.	Payment guarantee for office rent, etc.	H.I.S. Okinawa Co., Ltd.	Payment guarantee for office rent, etc.
H.I.S. Hotel Holdings Co., Ltd.	Payment guarantee for business-use leasehold interest	H.I.S. Hotel Holdings Co., Ltd.	Payment guarantee for business-use leasehold interest
HAWAII SQUARE LLC	Payment guarantee for referral fees, etc.	HAWAII SQUARE LLC	Payment guarantee for referral fees, etc.
GUAM REEF HOTEL, INC.	Payment guarantee for real estate lease agreement	GUAM REEF HOTEL, INC.	Payment guarantee for real estate lease agreement

3. Monetary claims and obligations to subsidiaries and associates (excluding those separately disclosed)

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Short-term monetary claims	2,907	2,521
Long-term monetary claims	82	98
Short-term monetary obligations	5,840	5,635

4. Committed credit line agreements

The Company has concluded committed credit line agreements with three banks to ensure efficient and stable procurement of working capital. The unused portion of these committed credit line agreements is shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Committed credit line limits (total)	33,000	33,000
Outstanding borrowings	—	—
Unused balance	33,000	33,000

*5. Financial covenants

Syndicated loans

1) Must maintain the net asset value on the consolidated balance sheet reported on the final day of each fiscal year at 75% or more of the net asset value on the consolidated balance sheet reported on the final day of the previous fiscal year.

2) May not record ordinary losses on the consolidated statement of income reported on the final day of each fiscal year for two consecutive years.

The balance of the long-term borrowings subject to the financial covenants is shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Long-term borrowings	32,128	32,128

*6. Notable covenants attached to other obligations

(1) Unsecured bonds

Ensure the following two scenarios do not apply.

1) For bonds other than unsecured bonds, forfeiture of the benefit of time, or inability to repay such bonds when they are due.

2) Inability to fulfill payment obligations when the benefit of time has been forfeited for loan obligations other than bonds, or inability to fulfill payment for guarantee obligations assumed for bonds other than the Company's bonds or for other loan obligations, should such need arise. However, this will not apply if the total liabilities do not exceed 500 million yen.

The balance of the applicable unsecured bonds is shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Bonds payable (including current portion)	20,000	5,000

(2) Convertible-bond-type bonds with share acquisition rights

Ensure the following scenario does not apply.

If the Company or a major subsidiary forfeits the benefit of time for a loan obligation other than the bonds in question, or does not fulfill payment for guarantee obligations assumed for other loans when such obligation arises. However, this will not apply if the total value of such obligations does not exceed 500 million yen or its equivalent in foreign currency.

The balance of the applicable convertible-bond-type bonds with share acquisition rights is shown below.

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Convertible-bond-type bonds with share acquisition rights (including current portion)	25,018	25,000

*7. Deposits received of subsidy

This represents the portion of employment adjustment subsidies and other grants received by the Company that has been recorded as expected repayments and similar items.

(Non-consolidated statement of income)

*1. Of total selling, general and administrative expenses, selling expenses accounted for approximately 85.0% and general and administrative expenses for approximately 15.0% in the fiscal year ended October 31, 2023, and 83.0% and 17.0%, respectively, in the fiscal year ended October 31, 2024. Major cost items and their respective amounts are shown below.

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Advertising expenses	3,277	4,985
Commission expenses	4,406	5,499
Salaries and bonuses	14,759	17,518
Provision for bonuses	2,341	2,130
Provision of allowance for doubtful accounts	(284)	29
Provision for accrued interest for travel funds	15	14
Depreciation and amortization	1,305	1,559

*2. Amount of transactions with subsidiaries and associates

(Millions of yen)

	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)	Year ended October 31, 2024 (November 1, 2023 to October 31, 2024)
Amount of operating transactions		
Net sales	2,584	7,712
Cost of sales	29,992	58,722
Transaction amount for non-operating transactions		
Non-operating income	515	1,350
Non-operating expenses	2	10
Extraordinary losses	7	—

*3. Reversal of allowance for doubtful accounts

Fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

The reversal mainly relates to loans receivable from H.I.S. Hotel Holdings Co., Ltd., and to loans receivables from Activity Japan Co., Ltd.

Fiscal year ended October 31, 2024 (November 1, 2023 to October 31, 2024)

The reversal mainly relates to loans receivables from H.I.S. Hotel Holdings Co., Ltd.

*4. Provision of allowance for doubtful accounts

The provision represents an allowance recorded against receivables from subsidiaries and associates.

(Marketable securities)

Fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

Classification	Amounts recorded on balance sheet	Fair value	Difference
Shares of subsidiaries	—	—	—
Shares of associates	—	—	—
Total	—	—	—

(Note) Balance sheet carrying amounts of shares, etc. without a determinable market value not included in the above

(Millions of yen)

Classification	Year ended October 31, 2023
Shares of subsidiaries	52,665
Shares of associates	598

Fiscal year ended October 31, 2024 (as of October 31, 2024)

(Millions of yen)

Classification	Amounts recorded on balance sheet	Fair value	Difference
Shares of subsidiaries	1,250	1,604	353
Shares of associates	—	—	—
Total	1,250	1,604	353

(Note) Balance sheet carrying amounts of shares, etc. without a determinable market value not included in the above

(Millions of yen)

Classification	Year ended October 31, 2024
Shares of subsidiaries	51,525
Shares of associates	2,202

(Tax effect accounting)

1. Principal components of deferred tax assets and deferred tax liabilities

(Millions of yen)

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
(Deferred tax assets)		
Tax loss carryforwards	2,581	1,850
Loss on valuation of shares of subsidiaries and associates	2,837	2,864
Excess allowance for doubtful accounts	1,657	1,278
Provision for retirement benefits	1,199	1,206
Provision for bonuses	496	685
Unsettled gift certificates	425	377
Loss on valuation of investment securities	394	545
Non-deductible asset retirement obligation expenses	110	111
Deposits received of subsidy	1,793	1,793
Long-term accounts payable - other	96	11
Other	396	379
Deferred tax assets subtotal	11,989	11,105
Valuation allowance pertaining to tax loss carryforwards	(1,099)	—
Valuation allowance pertaining to total future deductible temporary differences	(6,990)	(5,007)
Valuation allowance subtotal	(8,090)	(5,007)
Deferred tax assets total	3,899	6,097
(Deferred tax liabilities)		
Valuation difference on available-for-sale securities	(36)	(4)
Deferred gains or losses on hedges	—	(22)
Other	(79)	—
Deferred tax liabilities total	(115)	(27)
Deferred tax assets, net	3,783	6,069

2. Major components of significant differences arising between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

	Year ended October 31, 2023 (As of October 31, 2023)	Year ended October 31, 2024 (As of October 31, 2024)
Effective statutory tax rate	Notes have been omitted as the Company recorded a loss before income taxes.	34.59%
(Adjustments)		
Non-deductible permanent items such as entertainment expenses		0.95%
Non-taxable permanent items such as dividend income		(8.34%)
Inhabitant tax on per capita basis		2.45%
Increase (decrease) in valuation allowance		(93.71%)
Other		(1.98%)
Effective income tax rate after application of tax-effect accounting		(66.04%)

(Revenue recognition)

Notes regarding the basic information to understand revenue from contracts with customers have been omitted because the same content is provided in “Revenue recognition” under the “Notes to Consolidated Financial Statements” in the consolidated financial statements.

(Important subsequent events)

There are no applicable matters to report.

4) Non-consolidated Supplementary Schedules

Schedule for property, plant and equipment

(Millions of yen)

Classification	Asset type	Balance at beginning of period	Increase during period	Decrease during period	Depreciation during period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	9,639	764	17	477	9,908	2,274
	Vehicles	0	—	—	—	0	1
	Tools, furniture and fixtures	254	308	4	129	428	1,818
	Land	24,915	—	—	—	24,915	—
	Construction in progress	56	21	56	—	21	—
	Other	657	58	—	193	523	283
	Total	35,523	1,153	79	800	35,797	4,377
Intangible assets	Trademark right	34	21	—	7	48	—
	Telephone subscription right	82	—	—	—	82	—
	Software	1,616	1,079	—	732	1,962	—
	Other	94	626	62	1	657	—
	Total	1,827	1,727	62	741	2,751	—

Schedule for provisions

(Millions of yen)

Classification	Balance at beginning of period	Increase during period	Decrease during period (due to intended usage)	Decrease during period (other)	Balance at end of period
Allowance for doubtful accounts (Note)	5,413	4,175	102	5,310	4,175
Provision for bonuses	1,622	2,238	1,622	—	2,238

(Note) The 5,310 million yen decrease in allowance for doubtful accounts under “Decrease during period (other)” is attributable to reversals.

(2) Major Assets and Liabilities

Notes have been omitted as the Company has prepared consolidated financial statements.

(3) Others

There are no applicable matters to report.

VI. Stock-related Administration for the Company

Fiscal year	From November 1 to October 31
Ordinary General Meeting of Shareholders	January
Record date	October 31
Record dates for dividend of surplus	April 30 October 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	
Handling office	(Special account) Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Transfer agent	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Forward office	―――――
Purchasing and selling fees	None
Method of public notice	Public notice of the Company is given by electronic means. However, in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be made by publication in *The Nihon Keizai Shimbun* issued in Tokyo. URL for public notices: https://www.his.co.jp/
Special benefit for shareholders	Every year, at the end of April and October, the Company issues shareholder benefits to all shareholders who own at least 100 shares and are recorded in the Shareholder Registry, based on the following criteria. Shareholders owning 100 or more but fewer than 500 shares Two shareholder benefit coupons (corresponding to 2,000 yen) Shareholders owning 500 or more but fewer than 1,000 shares Four shareholder benefit coupons (corresponding to 4,000 yen) Shareholders owning 1,000 or more shares Six shareholder benefit coupons (corresponding to 6,000 yen) Shareholders owning 100 or more shares One discounted admission ticket for Laguna Ten Bosch (500-yen discount per person; tickets can be used by up to five people).

VII. Reference Information on the Company

1. Information on the Parent Company, etc. of the Company

The Company has no parent company.

2. Other Reference Information

The Company filed the following documents between the beginning of the fiscal year under review and the submittal of the Japanese version of this Annual Securities Report.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof
For the 43rd fiscal year (from November 1, 2022 to October 31, 2023)
Submitted to the Director-General, Kanto Local Finance Bureau on January 26, 2024

(2) Amended Annual Securities Report and Confirmation Letter thereof
For the 40th fiscal year (from November 1, 2019 to October 31, 2020)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the 41st fiscal year (from November 1, 2020 to October 31, 2021)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the 42nd fiscal year (from November 1, 2021 to October 31, 2022)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the 43rd fiscal year (from November 1, 2022 to October 31, 2023)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025

(3) Internal Control Report and documents attached thereto
Submitted to the Director-General, Kanto Local Finance Bureau on January 26, 2024

(4) Amended Internal Control Report
For the 40th fiscal year (from November 1, 2019 to October 31, 2020)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the 41st fiscal year (from November 1, 2020 to October 31, 2021)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the 42nd fiscal year (from November 1, 2021 to October 31, 2022)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the 43rd fiscal year (from November 1, 2022 to October 31, 2023)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025

(5) Quarterly Securities Report and Confirmation Letter thereof
For the first quarter of the 44th fiscal year (from November 1, 2023 to January 31, 2024)
Submitted to the Director-General, Kanto Local Finance Bureau on March 15, 2024
For the second quarter of the 44th fiscal year (from February 1, 2024 to April 30, 2024)
Submitted to the Director-General, Kanto Local Finance Bureau on June 14, 2024

(6) Amended Quarterly Securities Report and Confirmation Letter thereof
For the second quarter of the 42nd fiscal year (from February 1, 2022 to April 30, 2022)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the third quarter of the 42nd fiscal year (from May 1, 2022 to July 31, 2022)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the first quarter of the 43rd fiscal year (from November 1, 2022 to January 31, 2023)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the second quarter of the 43rd fiscal year (from February 1, 2023 to April 30, 2023)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the third quarter of the 43rd fiscal year (from May 1, 2023 to July 31, 2023)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the first quarter of the 44th fiscal year (from November 1, 2023 to January 31, 2024)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025
For the second quarter of the 44th fiscal year (from February 1, 2024 to April 30, 2024)
Submitted to the Director-General, Kanto Local Finance Bureau on March 31, 2025

(7) Extraordinary Report
Submitted to the Director-General, Kanto Local Finance Bureau on December 8, 2023
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Director-General, Kanto Local Finance Bureau on December 15, 2023
According to the provision of Article 19, Paragraph 2, Items 12 and 19 (the occurrence of an event that may have serious effects on the financial position, operating results, and cash flow status) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Director-General, Kanto Local Finance Bureau on January 26, 2024
According to the provision of Article 19, Paragraph 2, Item 9-2 (result of exercise of voting rights at a General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Submitted to the Kanto Local Finance Bureau on February 19, 2024
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on May 27, 2024
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on June 27, 2024
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on July 26, 2024
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on September 3, 2024
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on September 11, 2024
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on November 15, 2024
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on December 20, 2024
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on January 27, 2025
According to the provision of Article 19, Paragraph 2, Items 12 and 19 (the occurrence of an event that may have serious effects on the financial position, operating results, and cash flow status) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on January 30, 2025
According to the provision of Article 19, Paragraph 2, Item 9-2 (result of exercise of voting rights at a General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on February 7, 2025
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on March 3, 2025
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on March 3, 2025
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Kanto Local Finance Bureau on March 4, 2025
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

(8) Securities Registration Statement and documents attached thereto
Submitted to the Kanto Local Finance Bureau on January 26, 2024

(9) Amendments to the Securities Registration Statement
Submitted to the Kanto Local Finance Bureau on February 19, 2024;
March 15, 2024;
and March 26, 2024
These are amendments to the Securities Registration Statement submitted on January 26, 2024.

Part II Information on Guarantors, etc. for the Company

There are no applicable matters to report.