

**Consolidated Financial Results for the First Three Months
of the Fiscal Year Ending October 31, 2021 (Under Japanese GAAP)**

* Please note this document is a translation of the original Japanese document “Financial Results for the First Three Months ended January 31, 2021 (Kessan Tanshin)” and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

March 15, 2021

Company Name: H.I.S. Co., Ltd.

Stock Code: 9603, URL: <https://www.his.co.jp/en/>

Representative Director: Hideo Sawada, Representative Director, Chairman and President

Contact: Yuka Kataoka, Executive Officer Senior General Manager Accounting & Finance Division

Scheduled date to file Quarterly Securities Report: March 16, 2021

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes

**1. Consolidated Financial Results for the First Three Months of the Fiscal Year Ending October 31, 2021
(November 1, 2020 – January 31, 2021)**

(1) Consolidated Operating Results (Cumulative)

(% shows year-on-year changes)

	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
3 months ended								
Jan 31, 2021	38,860	(80.5)	(11,677)	—	(11,798)	—	(7,981)	—
Jan 31, 2020	199,618	6.6	3,791	(36.6)	4,288	(17.5)	2,177	(7.6)

(*Note) Comprehensive Income: JPY(8,043) million [—%] for the 3 months ended January 31, 2021

JPY3,155 million [(8.7)%] for the 3 months ended January 31, 2020

	EPS	Diluted EPS
3 months ended	JPY	JPY
Jan 31, 2021	(127.10)	—
Jan 31, 2020	37.93	35.15

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	BPS
As of	JPY million	JPY million	%	JPY
Jan 31, 2021	402,517	92,575	16.4	1,053.14
Oct 31, 2020	414,604	98,421	17.8	1,177.91

(*Reference) Shareholders' Equity : JPY66,148 million as of January 31, 2021

JPY73,948 million as of October 31, 2020

2. Dividends

	Annual Dividends Per Share				
	1 st Quarter-end	2 nd Quarter-end	3 rd Quarter-end	Fiscal year-end	Total
Fiscal Year ended October 31, 2020	JPY —	JPY 0.00	JPY —	JPY 0.00	JPY 0.00
Fiscal Year ending October 31, 2021	—				
Fiscal Year ending October 31, 2021(Forecast)		—	—	—	—

(*Note) Changes from the most recently announced dividend forecasts: None

3. Financial Forecasts for Fiscal Year ending October 31, 2021 (November 1, 2020 – October 31, 2021)

Consolidated financial forecasts for fiscal year ending October 31, 2021 are undetermined as it is difficult to reasonably estimate the impact of the new coronavirus infection at this time. Consolidated financial forecasts will be announced as soon as they become available.

(*Note) Changes from the most recently announced financial forecasts: None

(*Notes)

(1) Changes in significant subsidiaries during the 3 months ended January 31, 2021 (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

For details, please see “Application of accounting treatment specific to preparation of quarterly consolidated financial statements” of the attached appendix.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to amendments to accounting standards and other regulations:

None

2) Changes in accounting policies due to reasons other than 1) above: None

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements: None

For details, please see “Changes in accounting policies” of the attached appendix.

(4) The Number of Issued and Outstanding Shares (Common Shares)

1) Number of Issued and Outstanding Shares (Including Treasury Stocks) at the end of the period

As of Jan 31, 2021	68,768,936 shares
As of Oct 31, 2020	68,768,936 shares

2) Number of Treasury Stocks at the end of the period

As of Jan 31, 2021	5,958,238 shares
As of Oct 31, 2020	5,989,248 shares

3) Average Number of Shares during the period

3 months ended Jan 31, 2021	62,795,320 shares
3 months ended Jan 31, 2020	57,407,463 shares

(*Note) The stocks of the company held by H.I.S. Employee Stock Ownership Trust are included in the number of treasury stock at the end of period (24,100 shares as of January 31, 2021 and 55,100 shares as of October 31, 2020) and the number of treasury stock deducted in calculating the average number of shares during the period (39,475 shares during 3 months ended January 31, 2021 and 171,975 shares as of January 31, 2020).

(*Note) Explanations regarding the Quarterly Review Procedures.

This document is not subject to the quarterly review procedures as promulgated by the Financial Instruments and Exchange Act.

(*Note) Explanations regarding the Appropriate Use of Financial Forecasts and Other Special Instructions

The financial forecasts above are based on information that is available to management as of the date of announcement of this document and certain assumptions as of the date of announcement of this document that are related to uncertain factors that could influence financial forecasts. Actual results may be significantly different from these financial forecasts due to various factors. For more information, please see "Explanation regarding financial forecasts and other forward-looking information" on the attached appendix.

1. Qualitative Information regarding the Financial Results for the Three Months Ended January 31, 2021

(1) Explanations of Operating Results

The business environment during the three months ended January 31, 2021 (1Q of FY Oct 2021) remained challenging due to stagnant economic activities such as a significant decrease in corporate earnings and worsening employment conditions caused by the effects of the spread of the new corona virus infection, although some signs of recovery continued due to the effects of various governmental policies and improvements in overseas economies.

Under such circumstances, H.I.S. Group restructured its organization to respond to the corona disaster and promoted work style reforms, while making the most of government subsidies and making group-wide efforts to thoroughly reduce costs. H.I.S. Group also continued its efforts to build a new business model that can contribute to world peace as a company constantly changing and developing not only through travel business but also through various businesses with its corporate philosophy "Contributing to the creative development of humanity and world peace by complying with the law of nature".

Operating results by business segment are as follows. The amount of each business segment is the amount before eliminating intersegment transactions.

(Travel Business)

The travel market during the three months ended January 31, 2021 was extremely difficult due to the enormous impact of the global spread of the new corona virus infection, with measures such as entry restrictions and travel restrictions continuing in many countries. The number of Japanese travelers departing from Japan decreased by 97.6% year-over-year to 110,000, and the number of foreign visitors to Japan decreased by 97.9% year-over-year to 160,000. (Source: Japan Tourism Board (JNTO))

H.I.S. Group's overseas travel business also experienced a significant drop in transaction amount due to a series of flight cancellations, continued travel restrictions, and the cancellation of planned travel in all areas.

In the domestic travel business, H.I.S. Group implemented speedy product creation and strengthened sales promotion, such as by holding the "Flying First Dream Fair" that took full advantage of the "Go To Travel Campaign". As a result, the transaction amount of domestic travel increased, and there was a temporary trend toward recovery in demand. However, the "Go To Travel Campaign" was temporarily suspended nationwide at the end of December, and emergency declarations were issued again in major cities, and the transaction amount of travel was about the same as in the previous fiscal year.

In the travel business overseas, H.I.S. Group continued to make thorough efforts to reduce costs by continuing to downsize its bases, and at the same time, promoted new businesses in each country that support the overseas expansion of companies in cooperation with its corporate business in Japan. The "Online Experience Tour," which has been well accepted by customers, now offers more than 3,500 courses and has been used by more than 50,000 customers. In addition, H.I.S. Group focused on building a business model that responds to the corona disaster such as by holding new webinars not only for individual customers but also for corporate customers.

The number of H.I.S. Group's sales locations was 174 in Japan and 191 in 128 cities in 64 countries outside of Japan as of the end of January 2021 as a result of consolidation and closures in Japan and overseas.

As a result of the above, the Travel Business recorded net sales of 18,405 million yen (10.5% of the same period last year), and operating loss of 9,394 million yen (operating profit of 2,370 million yen in the same period last year) during the three months ended January 31, 2021.

(Theme Park Business)

At Huis Ten Bosch, the emphasis on environmental production resulted in high customer satisfaction with Halloween and Christmas events, which were widely covered on social networking sites. Thanks to the effects of the "Go To Travel Campaign", the number of visitors increased mainly among overnight guests, and the number of visitors on school trips exceeded that of the previous year due to the recognition of Huis Ten Bosch's countermeasures against infectious diseases. Due to the cancellation of countdown events, etc. after the announcement of the nationwide suspension of the "Go To Travel Campaign", the number of visitors was 609,000 (88.3% of the previous year).

At Laguna Ten Bosch, efforts were made to reduce costs and to implement thorough countermeasures against infectious diseases. In addition, there was a recovery trend in the number of visitors due to the effects of the "Go To Travel Campaign", but the subsequent announcement of a nationwide suspension caused the number of visitors to decline again.

As a result of the above, the Theme Park Business recorded net sales of 6,225 million yen (96.8% of the same period last year) and operating profit of 1,069 million yen (159.8% of the same period last year) during the three months ended January 31, 2021.

(Hotel Business)

In the Hotel Business, H.I.S. Group has been promoting new developments, such as by opening "Watermark Kyoto", which expresses traditional Japanese style through projection mapping, "Henn na Hotel Nara" and "Henn na Hotel Komatsu Ekimae", and by introducing the "QR Easy Check-in" system to some hotels to shorten and simplify the check-in process. Although occupancy rates temporarily recovered at domestic hotels due to the "Go To Travel Campaign", the number of guests decreased at overseas hotels due to the continued difficulty of overseas travel.

As a result of the above, the Hotel Business recorded net sales of 1,744 million yen (45.8% of the same period last year), operating loss of 1,374 million yen (operating profit of 311 million yen in the same period last year) and EBITDA of negative 601 million yen (positive 731 million yen in the same period last year) during the three months ended January 31, 2021.

(Kyushu Sanko Group)

In the Kyushu Sanko Group, the number of visitors to the large-scale commercial facility "Sakura Machi Kumamoto" gradually recovered, partly due to the effects of the "Go To Travel Campaign" and the easing of voluntary restraint in going out, but the bus business, food and beverage sales business, and travel business, etc. continued to be affected by the spread of the new corona virus infection.

As a result of the above, net sales were 4,785 million yen (69.0% of the same period last year) and operating loss was 497 million yen (operating profit of 316 million yen in the same period last year) during the three months ended January 31, 2021.

(Energy Business)

In the Energy Business, although the power supply volume remained steady in the power retail business, it was affected by the sharp rise in wholesale power prices since the latter half of December due to the increase in power demand caused by the cold wave and the decrease in domestic power generation caused by the shortage of LNG, etc. In the power generation business, there were delays in delivery and construction due to the spread of the new corona virus infection.

As a result of the above, net sales were 7,638 million yen (121.4% of the same period last year) and operating loss was 704 million yen (operating profit of 268 million yen in the same period last year) during the three months ended January 31, 2021.

As a result of the above, H.I.S. Group recorded net sales of 38,860 million yen (19.5% of the same period last year), operating loss of 11,677 million yen (operating profit of 3,791 million yen in the same period last year), ordinary loss of 11,798 million yen (ordinary profit of 4,288 million yen in the same period last year), and net loss attributable to owners of parent of 7,981 million yen (net profit attributable to owners of parent of 2,177 million yen in the same period last year) during the three months ended January 31, 2021.

(2) Explanations of Financial Position

Total assets as of the end of January 2021 decreased by 12,087 million yen as compared to the end of October 2020 to 402,517 million yen. This was due mainly to 3,458 million yen decrease in cash and deposits, 3,086 million yen decrease in investment securities, 2,513 million yen decrease in accounts receivable (other), and 2,476 million yen decrease in travel advance payments.

Total liabilities as of the end of January 2021 decreased by 6,241 million yen as compared to the end of October 2020 to 309,941 million yen. This was due mainly to 7,182 million yen decrease in travel advance received, partially offset by 1,819 million yen increase in accounts payable (other).

Net assets as of the end of January 2021 decreased by 5,845 million yen as compared to the end of October 2020 to 92,575 million yen. This was due mainly to 7,981 million yen decrease in retained earnings as a result of quarterly net loss, etc., partially offset by 1,934 million yen increase in non-controlling interests and 235 million yen increase in foreign currency translation adjustment.

(3) Explanations of Forward-Looking Statements including Financial Forecasts

Due to the impact of the new corona virus infection, restrictions on going out and travel have been implemented in countries around the world, and depending on the timing of the lifting of these restrictions, it is expected that this will continue to have a significant impact on the recovery of demand in the tourism industry. In Japan as well, H.I.S. Group's corporate activities are expected to be affected by the confirmation of the infection of new corona virus variants and the uncertain timing of the spread of vaccinations.

In light of the above, the consolidated financial forecasts for the first half ending April 30, 2021 and for the full year ending October 31, 2021 have not been determined, as it is difficult to reasonably calculate the impact of the new corona virus infection at this time. H.I.S. Group will promptly announce the financial forecasts when it becomes possible to calculate reasonable financial forecasts.

2. Consolidated Financial Statements

(Millions of yen)

	As of October 31, 2020	As of January 31, 2021
Assets		
Current assets		
Cash and deposits	95,234	91,775
Notes and accounts receivable - trade	15,829	18,021
Trade accounts receivable	345	341
Securities	—	103
Travel advance payments	7,253	4,777
Prepaid expenses	2,245	2,173
Short-term loans receivable	346	3,281
Short-term loans receivable from subsidiaries and associates	392	395
Accounts receivable - other	11,938	9,425
Other	7,013	5,913
Allowance for doubtful accounts	△1,376	△1,790
Total current assets	139,223	134,419
Non-current assets		
Property, plant and equipment		
Buildings, net	66,045	69,797
Tools, furniture and fixtures, net	10,706	10,657
Land	80,282	78,985
Leased assets, net	13,204	12,869
Construction in progress	24,274	23,423
Other, net	7,698	7,316
Total property, plant and equipment	202,211	203,051
Intangible assets		
Goodwill	5,227	5,057
Other	16,595	16,341
Total intangible assets	21,822	21,399
Investments and other assets		
Investment securities	10,594	7,507
Shares of subsidiaries and associates	3,348	3,337
Investments in capital of subsidiaries and associates	20	52
Long-term loans receivable	3,300	50
Long-term loans receivable from subsidiaries and associates	2,205	2,123
Retirement benefit asset	602	598
Deferred tax assets	12,986	12,910
Guarantee deposits	10,516	10,416
Other	9,249	8,138
Allowance for doubtful accounts	△1,905	△1,911
Total investments and other assets	50,919	43,225
Total non-current assets	274,954	267,676
Deferred assets	426	421
Total assets	414,604	402,517

(Millions of yen)

	As of October 31, 2020	As of January 31, 2021
Liabilities		
Current liabilities		
Trade accounts payable	9,029	10,848
Short-term borrowings	26,659	26,891
Current portion of bonds payable	10,000	10,000
Current portion of long-term borrowings	1,689	4,667
Accounts payable - other	5,021	5,657
Accrued expenses	4,172	4,051
Income taxes payable	1,159	680
Accrued consumption taxes	686	613
Travel advance received	14,021	6,839
Lease obligations	2,462	2,264
Provision for bonuses	1,033	1,249
Provision for bonuses for directors (and other officers)	22	42
Other	14,873	14,914
Total current liabilities	90,833	88,721
Non-current liabilities		
Bonds payable	20,000	20,000
Convertible bond-type bonds with share acquisition rights	25,072	25,068
Long-term borrowings	149,605	147,022
Deferred tax liabilities	5,038	4,634
Retirement benefit liability	7,981	7,917
Provision for retirement benefits for directors (and other officers)	377	374
Lease obligations	13,070	12,685
Other	4,203	3,517
Total non-current liabilities	225,349	221,219
Total liabilities	316,182	309,941
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	7,450	7,450
Retained earnings	72,222	64,241
Treasury shares	△15,204	△15,109
Total shareholders' equity	79,468	71,582
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	597	459
Deferred gains or losses on hedges	7	6
Foreign currency translation adjustment	△6,157	△5,922
Remeasurements of defined benefit plans	32	21
Total accumulated other comprehensive income	△5,519	△5,434
Share acquisition rights	178	198
Non-controlling interests	24,294	26,228
Total net assets	98,421	92,575
Total liabilities and net assets	414,604	402,517

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income (Millions of yen)

	Three months ended January 31, 2020	Three months ended January 31, 2021
Net sales	199,618	38,860
Cost of sales	163,593	29,879
Gross profit	36,025	8,981
Selling, general and administrative expenses	32,233	20,659
Operating profit (loss)	3,791	△11,677
Non-operating income		
Interest income	387	224
Share of profit of entities accounted for using equity method	28	—
Foreign exchange gains	260	—
Other	381	618
Total non-operating income	1,058	842
Non-operating expenses		
Interest expenses	230	249
Share of loss of entities accounted for using equity method	—	77
Loss on investments in capital	172	—
Foreign exchange losses	—	216
Other	157	419
Total non-operating expenses	560	963
Ordinary profit (loss)	4,288	△11,798
Extraordinary income		
Gain on sales of non-current assets	—	297
Gain on sales of investment securities	512	638
Subsidy income	—	3,411
Total extraordinary income	512	4,347
Extraordinary losses		
Impairment loss	249	—
losses from downtime	—	791
Total extraordinary losses	249	791
Profit (loss) before income taxes	4,551	△8,242
Income taxes	1,710	△47
Profit (loss)	2,841	△8,194
Profit (loss) attributable to non-controlling interests	663	△212
Profit (loss) attributable to owners of parent	2,177	△7,981

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended January 31, 2020	Three months ended January 31, 2021
Profit (loss)	2,841	△8,194
Other comprehensive income		
Valuation difference on available-for-sale securities	△221	△137
Deferred gains or losses on hedges	△2	△1
Foreign currency translation adjustment	500	292
Remeasurements of defined benefit plans, net of tax	45	△18
Share of other comprehensive income of entities accounted for using equity method	△8	15
Total other comprehensive income	314	151
Comprehensive income	3,155	△8,043
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,400	△7,895
Comprehensive income attributable to non-controlling interests	755	△147

(3) Notes on Quarterly Consolidated Financial Statements
(Segments Information)

Information on net sales, incomes or losses by reported segment

Three months ended Jan 31, 2020 (November 1, 2019 – Jan 31, 2020)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Emanations & Corporate *2	Consolidated *3
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Subtotal				
Net Sales										
(1)Sales of outside customers	174,845	6,062	3,586	6,933	6,258	197,687	1,931	199,618	–	199,618
(2)Inter-Segment sales/transfers	474	368	225	0	32	1,101	143	1,245	(1,245)	–
Total	175,320	6,430	3,811	6,934	6,291	198,788	2,075	200,864	(1,245)	199,618
Segment income	2,370	668	311	316	268	3,935	378	4,313	(522)	3,791

Note

1. Other Businesses refer to the business segment not included in the report segment, casualty insurance business and real estate businesses among others.
2. Segment incomes of (522) millions of yen are corporate-wide expenses not included in each reported segment and refer to administrative expenses at the headquarters, not included in the reported segment.
3. Segment incomes are adjusted with operating incomes in the consolidated financial statements.

Three months ended Jan 31, 2021 (November 1, 2020 – Jan 31, 2021)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Emanations & Corporate *2	Consolidated *3
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Subtotal				
Net Sales										
(1)Sales of outside customers	18,386	5,784	1,683	4,784	7,611	38,251	609	38,860	–	38,860
(2)Inter-Segment sales/transfers	18	441	60	0	27	547	153	700	(700)	–
Total	18,405	6,225	1,744	4,785	7,638	38,799	762	39,561	(700)	38,860
Segment income (loss)	(9,394)	1,069	(1,374)	(497)	(704)	(10,901)	(319)	(11,221)	(456)	(11,677)

Note

1. Other Businesses refer to the business segment not included in the report segment, casualty insurance business and real estate businesses among others.
2. Segment incomes (loss) of (456) millions of yen are corporate-wide expenses not included in each reported segment and refer to administrative expenses at the headquarters, not included in the reported segment.
3. Segment incomes (loss) are adjusted with operating incomes in the consolidated financial statements.