

**Consolidated Financial Results for the First Nine 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 Nine Months ended July 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.

Sep 10, 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: Motoshi Yada, Director and CFO

Scheduled date to file Quarterly Securities Report: Sep 10, 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 Nine Months of the Fiscal Year Ending October 31, 2021
(November 1, 2020 – July 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	%
6 months ended								
Jul 31, 2021	90,738	(77.4)	(46,732)	—	(46,396)	—	(33,217)	—
Jul 31, 2020	401,106	(30.1)	(16,793)	—	(16,595)	—	(16,673)	—

(*Note) Comprehensive Income: JPY(30,216) million [—%] for the 9 months ended July 31, 2021
JPY(24,421) million [—%] for the 9 months ended July 31, 2020

	EPS	Diluted EPS
9 months ended	JPY	JPY
Jul 31, 2021	(505.17)	—
Jul 31, 2020	(290.23)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	BPS
As of	JPY million	JPY million	%	JPY
Jul 31, 2021	397,780	82,383	14.4	820.44
Oct 31, 2020	414,604	98,421	17.8	1,177.91

(*Reference) Shareholders' Equity : JPY57,469 million as of July 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	—	0.00	—		
Fiscal Year ending October 31, 2021(Forecast)				—	—

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

Dividend forecast for fiscal year ending October 31, 2021 is undetermined.

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 COVID-19 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 9 months ended July 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

(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

(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 Jul 31, 2021	75,969,236 shares
As of Oct 31, 2020	68,768,936 shares

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

As of Jul 31, 2021	5,922,097 shares
As of Oct 31, 2020	5,989,248 shares

3) Average Number of Shares during the period

9 months ended Jul 31, 2021	65,755,043 shares
9 months ended Jul 31, 2020	57,448,258 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 (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 (19,590 shares during 9 months ended July 31, 2021 and 136,790 shares as of July 31, 2020). This Employee Shareholding Incentive Plan has expired on May 2021.

(*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
Consolidated financial forecasts for fiscal year ending October 31, 2021 are undetermined as it is difficult to make a reasonable estimate of the business performance at this time. For more information, please see “(3) Overview of Forward-Looking Statements including Financial Forecasts” on Page 3.

(1) Overview of Operating Results

During the nine months ended July 31, 2021 (1Q – 3Q of the current consolidated fiscal year), the business environment continued to pick up, partly due to improvements in overseas economies, as measures were taken to prevent the spread of Covid-19 and to promote vaccination. However, the impact of the spread of Covid-19 was still significant, and in some cases there was a significant decrease in corporate earnings and deterioration in the employment situation.

Under such circumstances, H.I.S. Group pushed forward with the secondment of its employees to outside of H.I.S. Group, continued to cut costs in each country, and maximized the use of government subsidies, etc., to restructure the management system and to reform work styles in response to the corona disaster. 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)

During the nine months ended July 31, 2021 (1Q – 3Q of the current consolidated fiscal year), the travel market was extremely difficult as measures such as entry restrictions and travel restrictions continued to be imposed in various countries, although vaccinations against Covid-19 made progress in some countries and regions, leading to some recovery in travel. The number of Japanese travelers departing from Japan decreased by 95.2% year-over-year to 300,000, and the number of foreign visitors to Japan decreased by 97.1% year-over-year to 260,000. (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 tours in all areas.

In the domestic travel business, amid signs of a recovery in demand, the "Super Summer Sale 2021" was implemented, focusing on summer vacation travel products, and domestic travel bookings increased. But due to the reissuance of emergency declarations, mainly in urban areas, and due to the continuation of priority measures to prevent the spread of the disease in various regions, the transaction amount decreased. In the corporate business, HIS responded to the pandemic by leveraging its customer base to strengthen sales of non-travel products.

In the travel business overseas, H.I.S. Group continued to reduce personnel and sales locations, and further reduced costs by consolidating operations. In addition, as a business model that responds to the corona disaster, H.I.S. Group focused on strengthening to capture the local market by developing the Vacation Rental business and the product sales business, etc. In addition, the "Canadian College & CCEL," a group company where international students from all over the world study, achieved strong results. The "Online Experience Tour" continued to perform well, with a total of more than 100,000 cumulative customer usage.

The number of H.I.S. Group's sales locations was 161 in Japan and 170 in 118 cities in 61 countries outside of Japan as of the end of July 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 35,791 million yen (10.3% of the same period last year), and operating loss of 28,272 million yen (operating loss of 11,959 million yen in the same period last year) during the nine months ended July 31, 2021.

(Theme Park Business)

At Huis Ten Bosch, although the number of school trips and membership customers increased due to the enhancement of environmental presentation and efforts to prevent infectious diseases, the number of visitors was 1,015,000 (88.8% as compared to the same period of the previous year) due to the continued impact of the spread of Covid-19 infection, including the issuance of the "Declaration of Medical Crisis Situation," the highest alert level throughout Nagasaki Prefecture.

At Laguna Ten Bosch, although the Mysterious Circus "Le NoiRêve" began performances and the water park was open for business from June, the number of visitors decreased due to the impact of Aichi Prefecture again being designated as a state of emergency by the national government.

As a result of the above, the Theme Park Business recorded net sales of 11,265 million yen (106.1% of the same period last year) and operating loss of 2,121 million yen (operating loss of 2,023 million yen in the same period last year) during the nine months ended July 31, 2021.

(Hotel Business)

In the Hotel Business, despite efforts to improve profitability by reviewing the operating costs of existing hotels, the number of guests decreased due to the continued impact of the spread of Covid-19 infection, including the re-extension of the state of emergency in Japan and the continued measures to restrict entry in various countries at overseas hotels.

As a result of the above, the Hotel Business recorded net sales of 4,190 million yen (56.1% of the same period last year), operating loss of 4,374 million yen (operating loss of 2,182 million yen in the same period last year) and EBITDA of negative 1,971 million yen (positive 332 million yen in the same period last year) during the nine months ended July 31, 2021.

(Kyushu Sanko Group)

In the Kyushu Sanko Group, the entire business was affected by the issuance of the declaration to prevent the spread of the disease in Kumamoto due to the maintenance of "Level 5 (severe alert)", the highest level of infection risk unique to Kumamoto Prefecture, and the issuance of priority measures by the national government to prevent the spread of the disease. The bus business continued to suspend or reduce the number of routes, and the food and beverage sales business also experienced a series of shortened hours and closures. In addition, the number of visitors to the large-scale commercial facility "Sakura Machi Kumamoto" also decreased, resulting in the continued impact of the spread of Covid-19 infection.

As a result of the above, net sales were 12,456 million yen (80.7% of the same period last year) and operating loss was 1,875 million yen (operating loss of 949 million yen in the same period last year) during the nine months ended July 31, 2021.

(Energy Business)

In the Energy Business, the power supply volume in the electric power retail business was steady, and in the procurement of electric power, efforts were made to respond by adjusting the ratio of procurement from the market, etc. In the power generation business, the operation of the biomass power plant was limited to the maintenance of facilities due to the continued sharp rise in the price of palm oil, which is the fuel for the power plant.

As a result of the above, net sales were 26,097 million yen (138.2% of the same period last year) and operating loss was 7,952 million yen (operating profit of 189 million yen in the same period last year) during the nine months ended July 31, 2021.

As a result of the above, H.I.S. Group recorded net sales of 90,738 million yen (22.6% of the same period last year), operating loss of 46,732 million yen (operating loss of 16,793 million yen in the same period last year), ordinary loss of 46,396 million yen (ordinary loss of 16,595 million yen in the same period last year), and net loss attributable to owners of parent of 33,217 million yen (net loss attributable to owners of parent of 16,673 million yen in the same period last year) during the nine months ended July 31, 2021.

(2) Overview of Financial Position

Total assets at the end of July 2021 decreased by 16,824 million yen as compared to the end of the previous fiscal year to 397,780 million yen. This was mainly due to a decrease in accounts receivable-other (down 6,772 million yen), a decrease in investment securities (down 3,688 million yen), a decrease in travel advance payments (down 1,959 million yen), a decrease in loans receivable (down 1,533 million yen), a decrease in notes and accounts receivable-trade (down 1,236 million yen), and a decrease in guarantee deposits (down 1,120 million yen), partially offset by an increase in cash and deposits (up 2,506 million yen).

Total liabilities at the end of July 2021 decreased by 786 million yen as compared to the end of the previous fiscal year to 315,396 million yen. This was mainly due to a decrease in travel advance received (down 4,057 million yen), partially offset by an increase in trade accounts payable (up 4,778 million yen).

Net assets at the end of July 2021 decreased by 16,038 million yen as compared to the end of the previous fiscal year to 82,383 million yen. This was mainly due to a decrease in retained earnings (down 33,114 million yen) due to the recording of net loss attributable to owners of the parent, etc., partially offset by an increase in common stock and capital surplus (up 11,926 million yen) resulting from the exercise of stock acquisition rights, etc., and an increase in foreign currency translation adjustment (up 4,463 million yen).

(3) Overview of Forward-Looking Statements including Consolidated Financial Forecasts

Vaccination against Covid-19 is progressing in many countries, especially in developed countries, some are considering the introduction of vaccine passports, and there are signs of a recovery in demand in Japan as well. However, it is still difficult to predict demands due to the spread of new variant of Covid-19 and other reasons.

In addition, in the mainstay overseas travel business, the timing of the lifting of travel restrictions is still unforeseen, and H.I.S. Group's corporate activities are expected to continue to be affected in the future.

In light of the above, the consolidated financial forecasts for the fiscal year ending October 31, 2021 have not been determined, as it is difficult to reasonably calculate the impact of Covid-19 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

(1) Consolidated balance sheets

(Millions of yen)

	As of October 31, 2020	As of July 31, 2021
Assets		
Current assets		
Cash and deposits	95,234	97,740
Notes and accounts receivable-trade	15,829	14,593
Trade accounts receivable	345	161
Travel advance payments	7,253	5,294
Prepaid expenses	2,245	1,920
Short-term loans receivable	346	3,444
Short-term loans receivable from subsidiaries and associates	392	279
Accounts receivable-other	11,938	5,166
Other	7,013	6,449
Allowance for doubtful accounts	△1,376	△1,375
Total current assets	139,223	133,673
Non-current assets		
Property, plant and equipment		
Buildings, net	66,045	76,059
Tools, furniture and fixtures, net	10,706	10,630
Land	80,282	76,946
Leased assets, net-PPE	13,204	12,690
Construction in progress	24,274	19,618
Other, net	7,698	7,007
Total property, plant and equipment	202,211	202,952
Intangible assets		
Goodwill	5,227	5,146
Other	16,595	16,727
Total intangible assets	21,822	21,874
Investments and other assets		
Investment securities	10,594	6,905
Shares of subsidiaries and associates	3,348	3,654
Investments in capital of subsidiaries and associates	20	52
Long-term loans receivable	3,300	52
Long-term loans receivable from subsidiaries and associates	2,205	936
Retirement benefit asset	602	574
Deferred tax assets	12,986	12,349
Guarantee deposits	10,516	9,395
Other	9,249	5,610
Allowance for doubtful accounts	△1,905	△650
Total investments and other assets	50,919	38,881
Total non-current assets	274,954	263,708
Deferred assets	426	398
Total assets	414,604	397,780

(Millions of yen)

	As of October 31, 2020	As of July 31, 2021
Liabilities		
Current liabilities		
Trade accounts payable	9,029	13,807
Short-term borrowings	26,659	26,787
Current portion of bonds payable	10,000	10,000
Current portion of long-term borrowings	1,689	4,590
Accounts payable-other	5,021	4,233
Accrued expenses	4,172	3,577
Income taxes payable	1,159	597
Accrued consumption taxes	686	496
Travel advance received	14,021	9,964
Lease obligations	2,462	2,510
Provision for bonuses	1,033	1,206
Provision for bonuses for directors (and other officers)	22	41
Other	14,873	15,148
Total current liabilities	90,833	92,962
Non-current liabilities		
Bonds payable	20,000	20,000
Convertible bond-type bonds with share acquisition rights	25,072	25,059
Long-term borrowings	149,605	148,931
Deferred tax liabilities	5,038	4,486
Retirement benefit liability	7,981	7,728
Provision for retirement benefits for directors (and other officers)	377	383
Lease obligations	13,070	12,285
Other	4,203	3,559
Total non-current liabilities	225,349	222,434
Total liabilities	316,182	315,396
Net assets		
Shareholders' equity		
Share capital	15,000	21,048
Capital surplus	7,450	13,328
Retained earnings	72,222	39,108
Treasury shares	△15,204	△15,004
Total shareholders' equity	79,468	58,480
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	597	656
Deferred gains or losses on hedges	7	7
Foreign currency translation adjustment	△6,157	△1,694
Remeasurements of defined benefit plans	32	20
Valuation and translation adjustments	△5,519	△1,010
Share acquisition rights	178	137
Non-controlling interests	24,294	24,776
Total net assets	98,421	82,383
Total liabilities and net assets	414,604	397,780

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Millions of yen)

	Nine months ended July 31, 2020	Nine months ended July 31, 2021
Net sales	401,016	90,738
Cost of sales	337,427	78,413
Gross profit	63,589	12,325
Selling, general and administrative expenses	80,382	59,057
Operating loss	△16,793	△46,732
Non-operating income		
Interest income	1,032	612
Foreign exchange gains	—	869
Other	1,384	1,646
Total non-operating income	2,417	3,128
Non-operating expenses		
Interest expenses	829	766
Share of loss of entities accounted for using equity method	139	365
Foreign exchange losses	11	—
Other	1,237	1,659
Total non-operating expenses	2,218	2,791
Ordinary loss	△16,595	△46,396
Extraordinary income		
Gain on sales of non-current assets	—	1,365
Gain on sales of investment securities	965	808
Gain on sales of shares of subsidiaries and associates	—	394
Subsidy income	—	752
Subsidy income related to coronavirus crisis	4,867	12,941
Total extraordinary income	5,832	16,261
Extraordinary losses		
Impairment loss	4,847	573
Loss on valuation of investment securities	—	736
Provision of allowance for doubtful accounts	1,396	—
Losses from downtime	4,364	2,929
Total extraordinary losses	10,608	4,239
Loss before income taxes	△21,371	△34,373
Income taxes	△1,321	689
Net loss	△20,050	△35,063
Net loss attributable to non-controlling interests	△3,377	△1,845
Net loss attributable to owners of parent	△16,673	△33,217

Consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended July 31, 2020	Nine months ended July 31, 2021
Net loss	(20,050)	(35,063)
Other comprehensive income		
Valuation difference on available-for-sale securities	(532)	58
Deferred gains or losses on hedges	(83)	(0)
Foreign currency translation adjustment	(3,885)	4,747
Remeasurements of defined benefit plans	133	(21)
Share of other comprehensive income of entities accounted for using equity method	(3)	62
Other comprehensive income	(4,370)	4,846
Comprehensive income	(24,421)	(30,216)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(20,845)	(28,708)
Comprehensive income attributable to non-controlling interests	(3,575)	(1,508)

(3) Notes on quarterly consolidated financial statements

(Segments Information)

Information on net sales, incomes or losses by reported segment

Nine months ended Jul 31, 2020 (November 1, 2019 – July 31, 2020)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Eliminations & Corporate *2	Consolidated *3
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Subtotal				
Net Sales										
(1)Sales of outside customers	345,401	10,064	6,968	15,429	18,789	396,653	4,363	401,016	–	401,016
(2)Inter-Segment sales/transfers	527	557	495	2	89	1,670	439	2,110	(2,110)	–
Total	345,928	10,621	7,464	15,432	18,878	398,324	4,802	403,127	(2,110)	401,016
Segment income (loss)	(11,959)	(2,023)	(2,182)	(949)	189	(16,925)	1,362	(15,563)	(1,230)	(16,793)

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 (1,230) 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.

Nine months ended Jul 31, 2021 (November 1, 2020 – July 31, 2021)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Eliminations & Corporate *2	Consolidated *3
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Subtotal				
Net Sales										
(1)Sales of outside customers	35,736	10,720	3,959	12,454	26,017	88,886	1,851	90,738	–	90,738
(2)Inter-Segment sales/transfers	54	545	231	2	80	914	568	1,482	(1,482)	–
Total	35,791	11,265	4,190	12,456	26,097	89,801	2,419	92,221	(1,482)	90,738
Segment loss	(28,272)	(2,121)	(4,374)	(1,875)	(7,952)	(44,597)	(625)	(45,223)	(1,509)	(46,732)

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 loss of (1,509) millions of yen is 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 loss is adjusted with operating incomes in the consolidated financial statements.