

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Six Months Ended April 30, 2023 (under Japanese GAAP)

June 14, 2023

Company name H.I.S. Co., Ltd.
 Listing Tokyo Stock Exchange
 Code number 9603
 URL <https://www.his.co.jp/>
 Representative (Title) President and Representative Director (Name) Motoshi Yada
 Contact person (Title) Executive Officer, General Manager of Accounting and Finance Headquarters (Name) Osamu Hanazaki
 Tel. 050-1746-4188

Scheduled date to file quarterly securities report: June 14, 2023
 Scheduled date for dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (For institutional investors)

(Figures less than one million yen truncated)

1. Consolidated financial results for the six months ended April 30, 2023 (from November 1, 2022 to April 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended April 30, 2023	102,913	50.3	(3,358)	—	(3,561)	—	(4,809)	—
Six months ended April 30, 2022	68,491	—	(28,130)	—	(28,111)	—	(26,911)	—

Note: Comprehensive income Six months ended April 30, 2023 (6,774)million yen (—) Six months ended April 30, 2022 (26,251)million yen (—)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended April 30, 2023	(65.03)	—
Six months ended April 30, 2022	(368.67)	—

(Note) "Accounting Standard for Revenue Recognition" (Accounting Standard Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and others were applied from the beginning of the first quarter in the previous consolidated fiscal year, and the figures for the first half of the consolidated fiscal year ended October 31, 2022, are after the application of these accounting standards and the percentage change from the previous quarter is not shown.

(2) Consolidated financial position

	Total assets	Total net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of April 30, 2023	413,726	49,089	9.8	550.12
As of October 31, 2022	414,984	56,636	11.4	641.24

(Reference) Equity capital As of April 30, 2023 40,687million yen As of October 31, 2022 47,420million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2022	—	0.00	—	0.00	0.00
Fiscal year ending October 31, 2023	—	0.00			
Fiscal year ending October 31, 2023 (Forecast)			—	—	—

Notes 1. Revisions to the forecast of cash dividends most recently announced: None

2. The dividend forecast for the fiscal year ending October 2023 is not determined.

3. Consolidated financial forecast for the fiscal year ending October 2023 (November 1, 2022 - October 31, 2023)

The consolidated financial forecast for the fiscal year ending October 2023 has not been determined due to the uncertain outlook for the impact of Covid-19. We shall announce the consolidated financial forecast when it is ready for release.

Note: Revisions to the financial forecast most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation) : Yes

Newly included: 1 company (Company name: Cross E Holdings Co., Ltd.)

Excluded: 2 companies (Company name: H.I.S. Energy Holdings Co., Ltd., H.I.S. INTERNATIONAL TOURS KOREA INC.)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- ① Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- ② Changes in accounting policies other than ①: None
- ③ Changes in accounting estimates: None
- ④ Restatements: None

(4) Number of shares issued (common shares)

① Number of shares issued at the end of the period (including treasury shares)

② Number of treasury shares at the end of the period

③ Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

As of April 30, 2023	79,860,936shares	As of October 31, 2022	79,860,936shares
As of April 30, 2023	5,898,835shares	As of October 31, 2022	5,909,220shares
Six months ended April 30, 2023	73,956,167shares	Six months ended April 30, 2022	72,995,433shares

*Quarterly financial results are not subject to quarterly reviews by certified accountants or audit firms.

*Explanation of the appropriate use of the financial forecasts and other notes

The above forecasts are based on the information available as of the date of publication of this material and make assumptions as of the date of announcement of these materials about uncertain factors affecting future business performance.

Actual results may vary greatly depending on various factors.

For the assumptions that are the premise of the financial forecast and the precautions for using the financial forecast, see "1.(1) Analysis of business results" and "1.(3) Review of consolidated financial forecasts and other future forecast information".

1. Review of this quarter's financial results

(1) Analysis of business results

During the second quarter of the current consolidated fiscal year, the business environment gradually recovered, due to the effect of several political measure for "with Covid-19", although there are the effect of the downturn in overseas economies, rising prices, supply-side constraints, and fluctuations in financial and capital markets.

Under these circumstances, the travel industry saw a recovery in leisure demand related to overseas travel due to the gradual resumption of international flights to and from Japan and strong domestic travel as measures to support tourism continued to be implemented.

In addition, we promote to increase productivity and profitability by continuing to reduce costs in each country, which has included maintaining efforts to merge branches and we moved forward with optimization for work style and reorganized, which are to maximize sales, in order to increase demand for overseas travel as our core business.

Furthermore, in order to achieve sustainable growth for the entire group through the development of travel business and diversification of business, we will continue to bring the world closer and provide new value by creating all kinds of encounters and connections, producing rich and irreplaceable times, and promoting mutual understanding under the banner of the H.I.S. Group Purpose "Unleash your feeling KOKORO ODORU."

The business results by segment are as follows.

Effective from the first quarter of the current consolidated fiscal year, we changed our business segmentation from the previous five segments of "Travel Business," "Theme Park Business," "Hotel Business," "Kyushu Sanko Group" and "Energy Business" to the four segments of "Travel Business," "Theme Park Business," "Hotel Business" and "Kyushu Sanko Group". For this reason, comparisons with the first half of the previous fiscal year have been made by restating the figures after the change in segments. For details, please refer to "2. Quarterly consolidated financial statements and main notes (segment information)"

Also, the amount for each segment is the amount before inter-segment transactions elimination .

(Travel business)

During the first half of the current consolidated fiscal year, the overseas travel market perked up, particularly in Europe and the United States, as efforts were made to conduct economic activity while living with Covid-19. In Japan, there were signs of a full-fledged recovery because of the continued strong preference for domestic travel on account of the government's "Nationwide Travel Support" program to stimulate demand. As for the overseas and inbound travel markets, travel demand began to rapidly recover following the relaxation of restrictions on nationals from various countries entering Japan. The number of Japanese overseas travelers through the first half of the current consolidated fiscal year was 3.04 million, 721.2% the number for the same period the previous fiscal year (30.8% of the number for 2019), and the number of foreign visitors to Japan was 9.04 million, 3,313.9% the number for same period of the previous year (56.3% the number for 2019). When compared to 2019, the peak year before the Covid-19 pandemic, there has been a steady recovery. (Source: Japan National Tourism Organization) (JNTO)

In our overseas travel business, we held the "H.I.S. Overseas Travel Appreciation Festival" as the first in-person event since the Covid-19 pandemic, and by collaborating with various government tourist bureaus and airlines, we sought to stimulate leisure demand among those looking forward to overseas travel. In addition, we concluded business alliances with the Korea Tourism Organization and the California Office of Tourism in order to attract more tourism, and promoted mutual cooperation in such areas as the development of travel products to build sustainable tourism. Demand for package tours, especially travel by students, has also increased, and we were able to capture recovering demand. In February and March, we won the top position in the industry for overseas travel volume handled by major travel agencies according to the Japan Tourism Agency. In particular, the temporary waiver for the K-ETA electronic travel authorization system, which is required for travel to South Korea, provided a boost to the steady recovery in travel to Seoul and Busan. However, due to delays in the normalization of international flights to and from Japan, we have not yet reached our FY 2019 level.

In the domestic travel business, we reinforced sales of products eligible for the "Nationwide Travel Support" program, and in February and March, sales exceeded those for the same month in 2019, partly due to our own special measures such as the "Gururi Tabi Campaign," which offers discounts for round-trip plans, and "full waiver of cancellation charges" on account of Covid-19. In Okinawa, where the beach season is in full swing, the shortage of rental cars has become a problem, so we sought to differentiate ourselves with original content by offering resort shuttle service between the various hotels in the Onna Village area, the site of many resort hotels, and Naha City and the airport. In Hokkaido, we also held a campaign offering greater benefits for early reservations and longer stays. The special measures implemented as domestic travel demand fully recovered, such as strengthening sales at the five Hoshino Resorts in Hokkaido, the main one being

"Hoshino Resort Tomamu," have won high praise. In addition, for the Orion Group, a group company, earnings have recovered to their pre-pandemic level thanks to nationwide travel support program and self-help efforts mainly in the bus business.

For the inbound travel business, in order to promote inbound tourism, we moved forward with several efforts to attract both domestic and overseas visitors, such as concluding cooperation agreements with Kagoshima Prefecture and Kumamoto City in order to enhance our brand power in the region and increase tourism consumption by conducting domestic and international promotions. In Thailand, where travel demand is quickly recovering, we are actively participating in inbound events and travel expos. In cooperation with major local travel agencies and local governments with which we have concluded travel-to-Japan agreements, we strove to stimulate demand and strengthen customer transfers by holding sales events for FIT products and conducting promotional activities. Other signs of recovery included orders for large group tours during the Easter vacation and cherry blossom season, which we won through cooperation with local travel agencies in Europe and the United States. The group company Japan Holiday Travel was successful in attracting group tours through regular charter flights between Bangkok and Naha. However, the number of customers from China has not rebounded and a full-fledged recovery has yet to be achieved.

In our corporate business, there was a marked recovery in group tours, including company travel, and the number of projects for both overseas and domestic travel increased. In response to growing interest in corporate social responsibility and social contributions, including SDGs, we launched "Shin-company-travel," a new proposal for company trips, to encourage employees to consider the future of the destinations and regions they visit. In the non-travel field, we received an order for a "high value-added tourism project based on the traditional performing art "Bunraku"" as a sponsor through the Tourism Agency's Tourism Restart Project, which private companies were able to bid on. In addition, we received orders for several projects including a regional tourism demand recovery project, My Number-related projects, and BPO projects connected with the "Comprehensive Emergency Measures for Crude Oil Prices and General Price Surge."

In the overseas travel business, the recovery, especially for the outbound business, continues to be driven by our overseas group companies in Canada as demand for overseas travel by Canadians increases during the winter season. Furthermore, some local subsidiaries in Turkey, Southeast Asia, and Latin America have started to turn a profit by capturing business travel demand from local and Japanese companies, as well as projects from local governments. In the inbound business, conditions remain challenging as the number of visitors from Japan is still recovering. We also moved forward with efforts targeting our non-travel business, which included collaborating with "companies" that are expanding globally and actively expanding our trading company business that supports the overseas introduction of "products" horizontally.

On account of consolidation and closures in Japan and overseas, the number of sales branches of the Group has decreased to 127 branches in Japan and 157 branches overseas in 112 cities in 60 countries. (As of the end of April 2023)

As a result of the above, sales through the first half of the current consolidated fiscal year were 79,654 million yen (340.3% of the figure for the same period of the previous year) and the operating loss was 3,458 million yen (compared to an operating loss of 14,742 million yen in the same period of the previous year).

(Theme Park business)

For Laguna Ten Bosch, the number of visitors to the park was 120.1% the number for the same period of the previous year as a result of the main winter event "Laguna Illumination 'Lagoon of Light'" and the "Thomas the Tank Engine" hands-on event where visitors become engineers and play and learn with Thomas and his friends. For the "Festival Market" shopping mall, efforts were made to strengthen our ability to attract customers, including opening the new "Uotaro Fresh Fish Market," which serves fresh seafood caught each morning, and renovating "Gamagori Marche Vege Cul," which serves dishes made from local ingredients, and "SWEN," a specialty store for outdoor activities that has become increasingly popular in recent years.

The transfer of all shares of Huis Ten Bosch, which had been operated as a theme park business, was completed as of September 30, 2022.

As a result of the above, sales through the first half of the current consolidated fiscal year were 1,215 million yen (11.7% of figure for the same period of the previous year), the operating loss was 205 million yen (compared to an operating profit of 174 million yen for the same period of the previous year), and EBITDA-based loss was 49 million yen (compared to a profit of 1,191 million yen for the same period of the previous year).

(Hotel business)

In the hotel business, hotels throughout Japan saw an upward trend in lodging demand as people started to travel more due to the "Nationwide Travel Support" program. The spring holiday season was also marked by an increase in tourism demand, as well as a prominent recovery in business demand related to business trips and training programs. At the "Resort Hotel

Kume Island," renovations of some of the guest rooms were completed, and these rooms are now available, bringing the total number of the nine types of rooms to 142, which makes it possible to accommodate a wide range of customers and purposes for stays. We also worked to increase convenience by introducing "Express Check-in," which enables check-in in as little as 10 seconds, at Henn na Hotel Tokyo Hamamatsucho, where there is strong business demand, making it the second hotel to offer such a service after the one in Nagoya. As for overseas hotels, both resort and urban area hotels saw a recovery on account of the impact of the New Year's holiday, as well as increased lodging demand in Taiwan during the Chinese New Year as it is no longer necessary to quarantine to enter the country.

As a result of the above, sales through the first half of the current consolidated fiscal year were 8,226 million yen (230.3% of the figure for the same period of the previous year), operating profit was 50 million yen (compared to an operating loss of 2,068 million yen for the same period of the previous year), and EBITDA-based profit was 2,079 million yen (compared to a loss of 170 million yen for the same period of the previous year).

(Kyushu Sanko Group)

The Kyushu Sanko Group saw a recovery in business because of an improvement in the domestic flow of people as the impact of the Covid-19 pandemic faded and an increase in the number of people visiting Japan. The recovery was particularly strong for its bus business, its core business, with the number of regular-route bus passengers recovering to 94.0% of the 2019 level and the number of its charter buses being used rising to 111.0% the number of for 2019. The number of visitors to the SAKURA MACHI Kumamoto commercial facility have steadily recovered because various events, including the "Kumamoto Castle Reconstruction Support Project," a collaborative project with an anime idol group with ties to Kumamoto, have been held with an eye toward the restoration of Kumamoto Castle, a symbol of Kumamoto's tourism. In addition, earnings improved because of a recovery in sales due to the promotion of store use in cooperation with Kumamoto Castle Hall, which is located next to the facility.

As a result of the above, sales through the first half of the current consolidated fiscal year were 10,739 million yen (125.0% of the figure for the same period of the previous year) and operating profit was 107 million yen (compared to an operating loss of 701 million yen for the same period of the previous year).

Because of these business results for each segment, the Group's operating results through the first half of the current consolidated fiscal year were net sales of 102,913 million yen (150.3% of the same period last year) and an operating loss of 3,358 million yen (compared to an operating loss of 28,130 million yen in the same period last year). Ordinary loss was 3,561 million yen (compared to an ordinary loss of 28,111 million yen for the same period of the previous year), and net loss attributable to owners of the parent was 4,809 million yen (loss attributable to owners of parent of 26,911 million yen for the same period of the previous year).

(2) Review of financial position

Total assets at the end of the second quarter of the current consolidated fiscal year decreased 1,258 million yen from the end of the previous consolidated fiscal year to 413,726 million yen. This was mainly due to a decrease in cash and deposits (down 15,546 million yen from the end of the previous period), accounts receivable-other (down 3,636 million yen), intangible assets (down 1,657 million yen), and property, plant, and equipment (down 1,296 million yen) despite an increase in long-term time deposits (up 13,935 million yen), notes and accounts receivable-trade, and contract assets (up 4,918 million yen), and travel advance payments (up 1,220 million yen).

Liabilities at the end of the second quarter of the current consolidated fiscal year increased 6,288 million yen from the end of the previous consolidated fiscal year to 364,636 million yen. This was mainly due to an increase in travel advance received (up 10,068 million yen from the end of the previous period), other current liabilities (up 5,701 million yen), and trade accounts payable (up 3,366 million yen) despite a decrease in borrowings (down 11,033 million yen) and accounts payable-other (down 2,146 million yen).

Net assets at the end of the second quarter of the current consolidated fiscal year decreased 7,546 million yen from the end of the previous consolidated fiscal year to 49,089 million yen. This was mainly due to a decrease in retained earnings (down 4,762 million yen from the end of the previous fiscal year), primarily on account of a loss attributable to owners of parent, and foreign currency translation adjustment (down 1,915 million yen).

(Cash flows status)

The balance of cash and cash equivalents (hereinafter, "funds") at the end of the second quarter of the current consolidated fiscal year was 119,859 million yen, a decrease of 17,079 million yen compared to the end of the previous consolidated fiscal year.

The status of each cash flows and their factors through the first half of the current consolidated fiscal year are as follows.

[Cash flows from operating activities]

Funds from operating activities increased 15,436 million yen (compared to a decrease of 18,006 million yen through the first half of the previous consolidated fiscal year). This was mainly due to an increase in travel advance received (10,643 million yen), depreciation, which is a non-cash item (5,016 million yen), and an increase in trade payables (3,762 million yen) despite a decrease in funds due to a loss before income taxes (3,611 million yen) and an increase in trade receivables and contract assets (5,230 million yen).

In addition, the decrease through the first half of the previous fiscal year was mainly due to a loss before taxes (23,357 million yen) and a decrease in travel advance received (5,813 million yen), despite an increase in funds due to depreciation, which is a non-fund item (6,013 million yen), and a decrease in travel advance payments (4,044 million yen).

[Cash flows from investing activities]

Funds from investment activities decreased 19,173 million yen (compared to an increase of 19,579 million yen through the first half of the previous consolidated fiscal year). This was mainly due to payments into time deposits (23,929 million yen) and purchase of property, plant and equipment and intangible assets (3,935 million yen) despite an increase in funds due to proceeds from withdrawal of time deposits (8,552 million yen).

In addition, the increase through the first half of the previous fiscal year was mainly due to proceeds from withdrawal of time deposits (13,628 million yen) and proceeds from sale of property, plant and equipment and intangible assets (8,669 million yen).

[Cash flows from financing activities]

Funds from financing activities decreased 12,594 million yen (compared to an increase of 5,896 yen through the first half of the previous consolidated fiscal year). This was mainly due to repayments of borrowings exceeded proceeds from borrowings (10,850 million yen).

In addition, the increase through the first half of the previous fiscal year was mainly due to proceeds from issuance of shares (7,500 million yen) and proceeds from issuance of share acquisition rights (165 million yen).

As a result of the above, the balance of cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 17,079 million yen from the end of the previous fiscal year to 119,859 million yen.

(3) Review of consolidated financial forecasts and other future forecast information

As we move toward post Covid-19 pandemic economic activity, our business is seeing a recovery in demand. However, our business activities are expected to continue to be affected by the external environment, including geopolitical risks associated with the situation in Ukraine, exchange rate fluctuations, rising prices, and labor shortages. In our mainstay overseas travel business, earnings from the fourth quarter, the busy summer season, has a significant impact, and it is still difficult to forecast demand at this time; therefore, we have not yet determined the outlook for consolidated financial results for the fiscal year ending October 31, 2023. We will announce this outlook as soon as it becomes possible to calculate a rational financial forecast.

(4) Important events related to the premise of a going concern

Because the Group has continued to record a large operating loss and loss attributable to owners of parent since the previous consolidated fiscal year, in light of Audit and Guarantee Practices Committee Report No. 74 "Disclosure of Going Concern Assumptions", it is said that there are events or situations that raise important doubts about the going concern assumption at the end of the second quarter of the current consolidated fiscal year.

Therefore, the Group is reducing fixed costs and is selling securities, real estate, and other assets, while at the same time it is requesting financial institutions with which it does business to maintain (refinance) existing loan agreements.

Based on a financing plan that reflects a reasonable forecast of the time for returning to normal from the Covid-19 pandemic and that reflects the effects of countermeasures against it, the Group has determined that it will be possible to have sufficient funds until April 30, 2024. Therefore, we have determined that there is no significant uncertainty regarding the assumption of a going concern.

2. Quarterly consolidated financial statements and main notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of October 31, 2022	As of April 30, 2023
Assets		
Current assets		
Cash and deposits	144,795	129,248
Notes and accounts receivable - trade, and contract assets	11,538	16,457
Trade accounts receivable	298	477
Securities	212	12
Travel advance payments	6,231	7,451
Prepaid expenses	1,724	1,860
Short-term loans receivable	133	133
Short-term loans receivable from subsidiaries and associates	205	288
Accounts receivable - other	20,001	16,364
Other	5,721	6,603
Allowance for doubtful accounts	(2,370)	(1,872)
Total current assets	188,493	177,026
Non-current assets		
Property, plant and equipment		
Buildings, net	76,166	77,144
Tools, furniture and fixtures, net	2,697	2,740
Land	70,975	70,846
Leased assets, net	12,401	11,670
Construction in progress	6,306	4,996
Other, net	1,807	1,661
Total property, plant and equipment	170,356	169,060
Intangible assets		
Goodwill	2,369	1,968
Other	15,539	14,282
Total intangible assets	17,908	16,251
Investments and other assets		
Investment securities	2,990	3,057
Shares of subsidiaries and associates	2,865	2,778
Investments in capital of subsidiaries and associates	77	77
Long-term loans receivable	11	12
Long-term loans receivable from subsidiaries and associates	504	356
Long-term time deposits	—	13,935
Retirement benefit asset	671	668
Deferred tax assets	6,949	6,487
Guarantee deposits	20,825	20,595
Other	3,805	3,792
Allowance for doubtful accounts	(694)	-522
Total investments and other assets	38,009	51,240
Total non-current assets	226,274	236,551
Deferred assets	217	147
Total assets	414,984	413,726

(Millions of yen)

	As of October 31, 2022	As of April 30, 2023
Liabilities		
Current liabilities		
Trade accounts payable	6,698	10,064
Short-term borrowings	28,555	51,004
Current portion of bonds payable	—	² 15,000
Current portion of long-term borrowings	32,156	15,367
Accounts payable - other	17,298	15,152
Accrued expenses	3,999	4,207
Income taxes payable	310	643
Accrued consumption taxes	711	985
Travel advance received	14,256	24,325
Lease obligations	2,646	2,666
Provision for bonuses	1,293	1,750
Provision for bonuses for directors (and other officers)	51	63
Other	20,590	26,292
Total current liabilities	128,569	167,526
Non-current liabilities		
Bonds payable	20,000	5,000
Convertible-bond-type bonds with share acquisition rights	25,036	25,027
Long-term borrowings	156,727	140,033
Deferred tax liabilities	4,963	4,889
Retirement benefit liability	6,234	6,216
Provision for retirement benefits for directors (and other officers)	445	417
Lease obligations	11,635	10,767
Other	4,734	4,756
Total non-current liabilities	229,778	197,110
Total liabilities	358,348	364,636
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	28,498	28,494
Retained earnings	26,327	21,564
Treasury shares	(14,972)	(14,945)
Total shareholders' equity	39,954	35,213
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	230	205
Deferred gains or losses on hedges	8	16
Foreign currency translation adjustment	7,085	5,170
Remeasurements of defined benefit plans	141	82
Total accumulated other comprehensive income	7,466	5,474
Share acquisition rights	399	186
Non-controlling interests	8,815	8,214
Total net assets	56,636	49,089
Total liabilities and net assets	414,984	413,726

(2) Quarterly consolidated income statement and quarterly consolidated comprehensive income statement
(Quarterly consolidated income statement)

(Millions of yen)

	Six months ended April 30, 2022	Six months ended April 30, 2023
Net sales	68,491	102,913
Cost of sales	61,600	68,656
Gross profit	6,890	34,256
Selling, general and administrative expenses	35,021	37,615
Operating profit (loss)	(28,130)	(3,358)
Non-operating income		
Interest income	140	324
Foreign exchange gains	401	5
Subsidy income	257	320
Other	1,050	561
Total non-operating income	1,849	1,211
Non-operating expenses		
Interest expenses	981	1,080
Other	848	334
Total non-operating expenses	1,830	1,414
Ordinary profit (loss)	(28,111)	(3,561)
Extraordinary income		
Gain on sale of non-current assets	1,364	—
Gain on sale of investment securities	1,376	—
Subsidy income	6,836	900
Total extraordinary income	9,577	900
Extraordinary losses		
Impairment loss	760	—
Losses from downtime	970	—
Provision for loss on liquidation of subsidiaries and associates	3,093	—
Loss on valuation of other investments	—	950
Total extraordinary losses	4,824	950
Profit (loss) before income taxes	(23,357)	(3,611)
Income taxes	3,810	1,040
Profit (loss)	(27,168)	(4,651)
Profit (loss) attributable to non-controlling interests	(256)	157
Profit (loss) attributable to owners of parent	(26,911)	(4,809)

(Quarterly consolidated comprehensive income statement)

(Millions of yen)

Six months ended April 30, 2022 Six months ended April 30, 2023

Profit (loss)	(27,168)	(4,651)
Other comprehensive income		
Valuation difference on available-for-sale securities	(308)	(25)
Deferred gains or losses on hedges	—	7
Foreign currency translation adjustment	1,242	(2,033)
Remeasurements of defined benefit plans	(34)	(59)
Share of other comprehensive income of entities accounted for using equity method	16	(12)
Total other comprehensive income	916	(2,122)
Comprehensive income	(26,251)	(6,774)
(breakdown)		
Comprehensive income attributable to owners of parent	(25,944)	(6,801)
Comprehensive income attributable to non-controlling interests	(307)	27

(3) Quarterly consolidated cash flows statement

(Millions of yen)

Six months ended April 30, 2022 Six months ended April 30, 2023

Cash flows from operating activities		
Profit (loss) before income taxes	(23,357)	(3,611)
Depreciation	6,013	5,016
Amortization of goodwill	350	243
Increase (decrease) in provision for bonuses	375	457
Increase (decrease) in provision for bonuses for directors (and other officers)	17	12
Increase (decrease) in retirement benefit liability	(170)	(77)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	25	(29)
Interest and dividend income	(457)	(451)
Foreign exchange losses (gains)	(395)	34
Interest expenses	981	1,080
Loss (gain) on sale of investment securities	(1,376)	—
Loss on valuation of other investments	—	950
Other loss (gain)	2,405	(667)
Decrease (increase) in trade receivables and contract assets	(3,580)	(5,230)
Decrease (increase) in travel advance payments	4,044	(1,609)
Decrease (increase) in other assets	1,922	1,551
Increase (decrease) in trade payables	(1,202)	3,762
Increase (decrease) in accrued consumption taxes	304	218
Increase (decrease) in accrued expenses	(491)	232
Increase (decrease) in travel advances received	(5,813)	10,643
Increase (decrease) in other liabilities	3,134	4,100
Subtotal	(17,268)	16,625
Interest and dividends received	598	422
Interest paid	(958)	(1,047)
Income taxes refund (paid)	(377)	(563)
Cash flows from operating activities	(18,006)	15,436
Cash flows from investing activities		
Payments into time deposits	(5,023)	(23,929)
Proceeds from withdrawal of time deposits	13,628	8,552
Purchase of property, plant and equipment and intangible assets	(3,193)	(3,935)
Proceeds from sale of property, plant and equipment and intangible assets	8,669	83
Purchase of investment securities	(222)	(194)
Proceeds from sale of investment securities	2,226	81
Proceeds from redemption of investment securities	1,093	200
Purchase of shares of subsidiaries and associates	(386)	(63)
Loan advances	(138)	(63)
Proceeds from collection of loans receivable	3,514	120
Payments of guarantee deposits	(567)	(284)
Proceeds from refund of guarantee deposits	235	505
Other	(255)	(246)
Cash flows from investing activities	19,579	(19,173)

(Millions of yen)

Six months ended April 30, 2022 Six months ended April 30, 2023

Cash flows from financing activities		
Proceeds from short-term borrowings	55,663	81,699
Repayments of short-term borrowings	(56,076)	(58,603)
Proceeds from long-term borrowings	3,362	495
Repayments of long-term borrowings	(3,741)	(34,440)
Dividends paid to non-controlling interests	(42)	(39)
Proceeds from issuance of shares	7,500	—
Proceeds from share issuance to non-controlling shareholders	150	—
Repayments to non-controlling shareholders	—	(500)
Proceeds from issuance of share acquisition rights	165	—
Other	(1,084)	(1,205)
Cash flows from financing activities	5,896	(12,594)
Effect of exchange rate change on cash and cash equivalents	942	(930)
Net increase (decrease) in cash and cash equivalents	8,412	(17,261)
Cash and cash equivalents at beginning of period	88,079	136,939
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	181
Cash and cash equivalents at end of period	96,491	119,859

(Segment information)

[Segment information]

I Six months ended April 30, 2022 (from November 1, 2021 to April 30, 2022)

1. Information on the amount of sales and profits or losses for each reporting segment

(Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustments (Note 2)	Amount on consolidated financial statements (Note 3)
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Total				
Net sales									
Sales to external customers	23,304	10,082	3,457	8,587	45,431	23,059	68,491	—	68,491
Intersegment sales/transfers	100	284	114	4	504	400	904	(904)	—
Total	23,405	10,366	3,572	8,591	45,936	23,459	69,396	(904)	68,491
Segment profit (loss)	(14,742)	174	(2,068)	(701)	(17,338)	(9,911)	(27,249)	(880)	(28,130)

Notes 1. The "Other" category is a business segment that is not included in any reporting segment. It includes segments as follows: Energy Business, Non-life Insurance Business and Real Estate Business.

2. The segment profit (loss) adjustment of -880 million yen is company-wide expenses not allocated to any reporting segment. It mainly comprises expenses at parent company's headquarter administration that do not belong to a reporting segment.

3. Segment profit (loss) is adjusted with the operating loss in the quarterly consolidated income statement.

4. The EBITDA for each reporting segment is as follows:

(Millions of yen)

	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Other	Total
Segment profit (loss)	(14,742)	174	(2,068)	(701)	(9,911)	(27,249)
Depreciation and goodwill amortization	1,859	1,017	1,898	904	453	6,133
EBITDA (*)	(12,883)	1,191	(170)	203	(9,457)	(21,116)

*EBITDA reflects segment profit (loss) plus depreciation and goodwill amortization.

2. Notes change of reporting segments

None

3. Information regarding impairment loss on non-current assets or goodwill by reporting segment

(Significant impairment loss on fixed assets)

An impairment loss of 107 million yen was recorded in the travel business, 167 million yen in the hotel business, and 377 million yen in other businesses.

(Significant change in the amount of goodwill)

In other businesses, the amount of goodwill has changed significantly due to the impairment of goodwill. The amount of decrease in goodwill due to this event is 377 million yen. The amount stated above (significant impairment loss related to fixed assets) includes the amount of impairment of goodwill.

(Significant gain on negative goodwill)

None

II Six months ended April 30, 2023 (from November 1, 2022 to April 30, 2023)

1. Information on the amount of sales and profits or losses for each reporting segment

(Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustments (Note 2)	Amount on consolidated financial statements (Note 3)
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Total				
Net sales									
Sales to external customers	79,159	1,206	8,046	10,736	99,149	3,764	102,913	0	102,913
Intersegment sales/transfers	494	8	180	2	686	104	790	(790)	—
Total	79,654	1,215	8,226	10,739	99,835	3,868	103,704	(790)	102,913
Segment profit (loss)	(3,458)	(205)	50	107	(3,506)	(20)	(3,527)	168	(3,358)

Notes 1. The "Other" category is a business segment that is not included in any reporting segment. It includes segments as follows: Non-life Insurance Business and Real Estate Business.

2. The segment profit (loss) adjustment of 168 million yen is company-wide expenses not allocated to any reporting segment. It mainly comprises expenses at parent company's headquarter administration that do not belong to a reporting segment.

3. Segment profit (loss) is adjusted with the operating loss in the quarterly consolidated income statement.

4. The EBITDA for each reporting segment is as follows:

(Millions of yen)

	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Other	Total
Segment profit (loss)	(3,458)	(205)	50	107	(20)	(3,527)
Depreciation and goodwill amortization	1,884	155	2,029	855	105	5,030
EBITDA (*)	(1,574)	(49)	2,079	963	84	1,503

*EBITDA reflects segment profit (loss) plus depreciation and goodwill amortization.

2. Notes change of reporting segments

In preparation for the recovery and restructuring of our core travel business and other businesses, we have begun to strengthen and improve our financial position. In the previous consolidated fiscal year, we transferred all shares of H.I.S. SUPER POWER Co.,Ltd. and HTB Energy Co., Ltd. Accordingly, the "Energy Business" reporting segment was abolished and H.I.S. Energy Holdings Co., Ltd. was changed from the "Energy Business" to the "Other" segment effective from the first quarter of the current fiscal year. In the second quarter of the current fiscal year, H.I.S. Energy Holdings Co., Ltd. was excluded from the scope of consolidation following the completion of liquidation of the said company.

The segment information for the six months ended April 30, 2022, is based on the reporting segment classifications after the change.

3. Information regarding impairment loss on non-current assets or goodwill by reporting segment

(Significant impairment loss on fixed assets)

There is no significant impairment loss.

(Significant change in the amount of goodwill)

There were no significant changes.

(Significant gain on negative goodwill)

None