

**Consolidated Financial Results for the First Three Months  
of the Fiscal Year Ending October 31, 2019 (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, 2019 (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.

February 28, 2019

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: Shigeru Nakatani, Director and Director in charge of Finance and Accounting (Consolidated)

Scheduled date to file Quarterly Securities Report: March 05, 2019

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (Conference call for institutional investors)

(Rounded down to the nearest million Japanese Yen)

**1. Consolidated Financial Results for the First Three Months of the Fiscal Year Ending October 31, 2019  
(November 1, 2018 – January 31, 2019)**

(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, 2019	187,276	13.8	5,981	46.7	5,199	31.4	2,356	80.9
Jan 31, 2018	164,509	31.6	4,078	60.1	3,957	△44.8	1,302	△67.4

(\*Note) Comprehensive Income: JPY3,456 million (29.3%) for the 3 months ended January 31, 2019  
JPY2,672 million (△56.5%) for the 3 months ended January 31, 2018

	EPS	Diluted EPS
	JPY	JPY
3 months ended		
Jan 31, 2019	41.12	35.52
Jan 31, 2018	22.64	19.52

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of	JPY million	JPY million	%
Jan 31, 2019	572,265	117,443	15.6
Oct 31, 2018	516,468	115,641	17.1

(\*Reference) Shareholders' Equity : JPY89,277 million as of January 31, 2019  
JPY88,227 million as of October 31, 2018

(\*Note) For the 1<sup>st</sup> quarter of the fiscal year ended October 2019, provisional accounting for consolidation was finalized. As a result, the figures for the fiscal year ended October 2018 reflect the finalization of the provisional accounting treatment.

## 2. Dividends

	Annual Dividends Per Share				
	1 <sup>st</sup> Quarter-end	2 <sup>nd</sup> Quarter-end	3 <sup>rd</sup> Quarter-end	Fiscal year-end	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year ended October 31, 2018	—	0.00	—	29.00	29.00
Fiscal Year ending October 31, 2019	—				
Fiscal Year ending October 31, 2019(Forecast)		0.00	—	30.00	30.00

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

## 3. Financial Forecasts for Fiscal Year ending October 31, 2019 (November 1, 2018 – October 31, 2019)

(% shows year-on-year changes)

Fiscal Year Ending	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		EPS
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
First 6 months	374,000	9.6	8,400	9.7	9,000	14.7	4,000	11.1	69.79
Full Year	786,000	7.9	20,000	10.6	21,000	7.7	11,000	△0.6	191.92

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

(\*Notes)

(1) Changes in significant subsidiaries during the 3 months ended January 31, 2019 (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:

Yes

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, 2019	68,522,936 shares
As of Oct 31, 2018	68,522,936 shares

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

As of Jan 31, 2019	11,206,640 shares
As of Oct 31, 2018	11,231,540 shares

3) Average Number of Shares during the period

3 months ended Jan 31, 2019	57,303,996 shares
3 months ended Jan 31, 2018	57,549,619 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 (257,200 shares as of January 31, 2019 and 282,100 shares as of October 31, 2018) and the number of treasury stock deducted in calculating the average number of shares during the period (269,500 shares during 3 months ended January 31, 2019 and 351,600 shares as of January 31, 2018).

(\*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, 2019

### (1) Explanation of Operating Results

Regarding the business environment during the three months ended January 31, 2019, domestic economic conditions in Japan showed moderate recovery due to improvements in employment and income environments as well as to effects of various governmental policies, despite the impact of trade issues on the global economy and geopolitical risks outside of Japan.

Under such circumstances, H.I.S. Group reorganized its business execution structure to respond to its expanding business domain and promoted work style reforms to improve productivity. 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 business segment classification has been changed at the start of the current consolidated fiscal year, and the year-over-year comparison below is based on the reclassified segment. For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes on Quarterly Consolidated Financial Statements, Segment Information, etc." The amount of each business segment is the amount before eliminating intersegment transactions.

#### (Travel Business)

During the three months ended January 31, 2019, the number of Japanese travelers departing from Japan increased by 7.1% year-over-year to 4.75 million, due to continued stability of security of major sightseeing spots since the previous fiscal year. The number of foreign visitors to Japan recovered from the influence of travel avoidance due to natural disasters last year, and increased steadily by 5.0% year-over-year to 7.77 million. (Source: Japan Tourism Board (JNTO))

Regarding the travel business in Japan, H.I.S. Group posted steady progress in various areas due to the recovery of travel to Guam due to the recovery in the number of seat supply, continued strong demand for travel to Europe, and the charter flight effect during the Year End / New Year holidays. In Hokkaido during the high season, H.I.S. Group implemented measures to propose how to enjoy Hokkaido in winter. In addition, in the "First Dream Fair" held since December, H.I.S. Group succeeded in maximizing the effect of attracting customers by unifying the nationwide advertisement and schedules, in addition to on-line initial sale. Regarding the inbound travel to Japan, the results were better than plan due to the strong performance of the wholesale business and the MICE business. In the corporate business, H.I.S. Group started a service to support overseas expansion of Japanese companies, and is planning to switch to a more profitable business model, such as by holding a Turkey seminar as the first step.

Regarding the travel business overseas, "GROUP MIKI HOLDINGS LIMITED" showed steady results due to continued strong demand for travel to Europe. In North America, H.I.S. Group decided to acquire "Red Label Vacations Inc.", which develops OTA business and wholesale business mainly in Canada. Together with "Merit Holdings Inc." and "JONVIEW CANADA INC.", which became consolidated subsidiaries until the previous fiscal year, and "H.I.S. CANADA INC.", originally H.I.S. Group's subsidiary, H.I.S. Group reorganized the structure under the umbrella of "H.I.S. CANADA HOLDINGS INC. H.I.S. Group will further strengthen and expand its business in North America under this new structure.

The number of H.I.S. Group's sales locations was 273 in Japan and 270 in 158 cities in 70 countries outside of Japan as of the end of January 2019 as a result of opening new locations and consolidation.

As a result of the above, the Travel Business recorded net sales of 166,617 million yen (114.3% of the same period last year), and operating profit of 4,071 million yen (205.7% of the same period last year), both of which were record high, during the three months ended January 31, 2019.

(Huis Ten Bosch Group)

In Huis Ten Bosch, in addition to the new appearance of Japan's largest light fountain show "Water Magic" in Kingdom of Lights, the main event of winter, Japan's first "light and music canal parade show" was held. "Christmas market" that took place at Art Garden of the kingdom main venue was very popular among visitors.

In addition, the exhibition of "Mars stone", which is the first in Kyushu, and "Great Phalaenopsis Orchid Exhibition" of 200 varieties, the largest in Japan, were also held. In December, the "South Arm", the 3rd stage of the hotel, opened in "Henn na Hotel Huis Ten Bosch". It has Japanese style guest rooms, the first for Huis Ten Bosch, in addition to adopting state-of-the-art technology such as film type photovoltaic cell. As a result, the total number of rooms of "Henn na Hotel Huis Ten Bosch" increased to 200, which suits the accommodation needs of more guests.

The number of visitors was 708,000, 97.2% of the same period last year, due to the shrinking market in major countries that account for the majority of international visitors.

As a result of the above, Huis Ten Bosh Group recorded net sales of 7,415 million yen (96.9% of the same period last year) and operating profit of 1,771 million yen (89.7% of the same period last year) during the three months ended January 31, 2019.

(Hotel Business)

In the Hotel Business, which H.I.S. Group is aiming to strengthen as the third pillar following Travel Business and Huis ten Bosh Group, H.I.S. Group continued to focus on the development of "Henn na Hotel" aiming for the number one productivity in the world, and opened "Henn na Hotel Tokyo Haneda" in October. In the current consolidated fiscal year, H.I.S. Group plans to open new hotels mainly in western Japan such as Fukuoka, Osaka and Kyoto. Regarding existing hotels, the Guam Leaf & Olive Spa Resort (Guam) stayed weak due to delay in market recovery.

As a result of the above, Hotel Business recorded net sales of 3,087 million yen (98.6% of the same period last year), operating profit of 257 million yen (65.2% of the same period last year) and EBITDA of 520 million yen (71.1% of the same period last year) during the three months ended January 31, 2019, due to the impact of "Watermark Hotel Sapporo" and "Watermark Hotel Australia" which has been sold in the previous fiscal year, etc.

(Kyushu Sanko Group)

In the Kyushu Sanko Group, although sales recovered due to an increase in the number of charter bus services and the expansion of the food and beverage outlets and shop business, increase in personnel expenses and increase in diesel oil prices had an impact on operating results. The Kyushu Sanko Group recorded net sales of 5,882 million yen (102.5% of the same period last year) and operating profit of 183 million yen (78.0% of the same period last year) during the three months ended January 31, 2019. On the other hand, the Sakuramachi redevelopment project progressed as planned.

(Energy Business)

In the energy business, net sales were 4,014 million yen (176.1% of the same period last year) and operating profit was 118 million yen (32 million yen operating loss in the same period last year) during the three months ended January 31, 2019 due to the steady increase in the number of contracts in the electric power retail business and improvement due to diversification of procurement.

As a result of the above, H.I.S. Group recorded net sales of 187,276 million yen (113.8% of the same period last year), and operating profit of 5,981 million yen (146.7% of the same period last year), both of which were record high, during the three months ended January 31, 2019. Ordinary profit was 5,199 million (131.4% of the same period last year), and net profit attributable to owners of parent was 2,356 million yen (180.9% of the same period last year).

## (2) Explanation of Financial Position

Total assets as of the end of January 2019 increased by 55,797 million yen as compared to the end of October 2018 to 572,265 million yen. This was due mainly to 20,821 million yen increase in cash and deposits, 17,204 million yen increase in property, plant and equipment, 9,551 million yen increase in travel advance payments, and 5,967 million yen increase in notes and accounts receivable - trade.

Total liabilities as of the end of January 2019 increased by 53,995 million yen as compared to the end of October 2018 to 454,822 million yen. This was due mainly to 30,690 million yen increase in loans payable and 20,923 million yen increase in travel advance received.

Net assets as of the end of January 2019 increased by 1,802 million yen as compared to the end of October 2018 to 117,443 million yen. This was due mainly to 707 million yen increase in non-controlling interests and 596 million yen increase in retained earnings due to recording of net profit, etc.

Capital ratio as of the end of January 2019 was 15.6% as compared to 17.1% as of the end of October 2018. This was due to fund raising through bonds payable, convertible bond type bonds with stock acquisition rights and loans payable. Capital ratio excluding the impact of the fund raising was 28.4% as of the end of January 2019 and 30.5% as of the end of October 2018.

## (3) Explanation of Forward-Looking Statements including Financial Forecasts

There is no change to the consolidated financial forecasts for the 1st half and full year that were announced on December 11, 2018.

The following events could possibly have an impact on the financial forecasts for the 1st half and full year.

### 1. Foreign Exchange Rate Fluctuations

H.I.S. Group has transactions denominated in foreign currencies, resulting in income, expenses, assets and liabilities denominated in foreign currencies. Risks are hedged via foreign exchange contracts to reduce the impact of fluctuations in foreign exchange rates, but if the exchange rate fluctuates significantly, there is a possibility that the financial forecasts for the 1st half and full year could be affected.

### 2. Increase / Decrease of Fuel Surcharges

Fuel surcharges included in the sales of the Travel Business may be increased / decreased or be unnecessary with the fluctuation of fuel oil price. There is a possibility that consolidated sales forecasts could be affected by this, but there is no impact on consolidated operating profit, ordinary profit, net profit attributable to owners of parent, and EPS forecasts.

## 2. Quarterly consolidated financial statements and Major Notes

### (1) Consolidated Balance Sheet

(Millions of yen)

	As of October 31, 2018	As of January 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	213,960	234,782
Notes and accounts receivable - trade	44,376	50,343
Operating accounts receivable	5,048	3,076
Securities	89	89
Travel advance payments	34,347	43,899
Prepaid expenses	2,423	2,512
Short-term loans receivable	1,391	2,467
Short-term loans receivable from subsidiaries and associates	196	314
Accounts receivable - other	5,604	9,243
Other	12,942	12,211
Allowance for doubtful accounts	△451	△434
<b>Total current assets</b>	<b>319,929</b>	<b>358,505</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	19,663	20,528
Tools, furniture and fixtures, net	6,163	6,065
Land	32,685	36,224
Leased assets, net	3,025	2,882
Construction in progress	48,455	61,025
Other, net	6,108	6,580
<b>Total property, plant and equipment</b>	<b>116,102</b>	<b>133,307</b>
Intangible assets		
Goodwill	7,232	7,223
Other	12,964	12,736
<b>Total intangible assets</b>	<b>20,196</b>	<b>19,959</b>
Investments and other assets		
Investment securities	15,895	17,500
Shares of subsidiaries and associates	2,434	2,827
Investments in capital of subsidiaries and associates	179	121
Long-term loans receivable	4,479	3,415
Long-term loans receivable from subsidiaries and associates	1,218	1,226
Net defined benefit asset	551	559
Deferred tax assets	7,061	7,744
Guarantee deposits	9,125	10,138
Other	19,050	16,608
Allowance for doubtful accounts	△190	△190
<b>Total investments and other assets</b>	<b>59,807</b>	<b>59,954</b>
<b>Total non-current assets</b>	<b>196,105</b>	<b>213,221</b>
<b>Deferred assets</b>	<b>432</b>	<b>538</b>
<b>Total assets</b>	<b>516,468</b>	<b>572,265</b>



(Millions of yen)

	As of October 31, 2018	As of January 31, 2019
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	36,933	38,484
Short-term loans payable	17,992	24,548
Current portion of bonds	10,000	10,000
Current portion of Convertible bond-type bonds with share acquisition rights	20,033	20,023
Current portion of long-term loans payable	11,008	21,494
Accounts payable - other	3,704	3,994
Accrued expenses	3,643	4,032
Income taxes payable	3,752	2,487
Accrued consumption taxes	1,019	826
Travel advance received	68,344	89,268
Lease obligations	935	897
Provision for bonuses	4,915	2,902
Provision for directors' bonuses	177	99
Provision for loss on liquidation of subsidiaries and associates	2,163	2,244
Other	29,310	33,149
<b>Total current liabilities</b>	<b>213,932</b>	<b>254,454</b>
Non-current liabilities		
Bonds payable	30,000	30,000
Convertible bond-type bonds with share acquisition rights	25,108	25,104
Long-term loans payable	113,309	126,957
Deferred tax liabilities	5,556	5,254
Net defined benefit liability	7,036	7,134
Provision for directors' retirement benefits	343	355
Lease obligations	2,406	2,266
Other	3,133	3,295
<b>Total non-current liabilities</b>	<b>186,894</b>	<b>200,367</b>
<b>Total liabilities</b>	<b>400,826</b>	<b>454,822</b>
Net assets		
Shareholders' equity		
Capital stock	11,000	11,000
Capital surplus	3,451	3,664
Retained earnings	102,083	102,679
Treasury shares	△28,611	△28,535
<b>Total shareholders' equity</b>	<b>87,923</b>	<b>88,808</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	283	210
Deferred gains or losses on hedges	166	△153
Foreign currency translation adjustment	△97	443
Remeasurements of defined benefit plans	△49	△32
<b>Total accumulated other comprehensive income</b>	<b>304</b>	<b>468</b>
Share acquisition rights	431	476
Non-controlling interests	26,982	27,689
<b>Total net assets</b>	<b>115,641</b>	<b>117,443</b>
<b>Total liabilities and net assets</b>	<b>516,468</b>	<b>572,265</b>

## (2) Consolidated Statements of Income

(Millions of yen)

	Three months ended January 31, 2018	Three months ended January 31, 2019
Net sales	164,509	187,276
Cost of sales	132,890	152,182
Gross profit	31,619	35,093
Selling, general and administrative expenses	27,540	29,111
Operating profit	4,078	5,981
Non-operating income		
Interest income	417	411
Share of profit of entities accounted for using equity method	—	6
Other	432	279
Total non-operating income	849	697
Non-operating expenses		
Interest expenses	139	174
Foreign exchange losses	717	609
Share of loss of entities accounted for using equity method	2	—
Other	112	695
Total non-operating expenses	970	1,479
Ordinary profit	3,957	5,199
Profit before income taxes	3,957	5,199
Income taxes	1,833	1,803
Profit	2,123	3,395
Profit attributable to non-controlling interests	821	1,039
Profit attributable to owners of parent	1,302	2,356

## (3) Notes on Quarterly Consolidated Financial Statements

**Segments Information**

Information on net sales, incomes or losses by reported segment

Three months ended January 31, 2018 (November 1, 2017 — January 31, 2018)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Emanations & Corporate *2	Consolidated *3
	Travel Business	Huis Ten Bosch Group	Hotel Business	Kyushu Sanko Group	Energy Business	Subtotal				
Net Sales										
(1)Sales of outside customers	145,364	7,229	2,899	5,738	2,262	163,494	1,014	164,509	—	164,509
(2)Inter-Segment sales/transfers	382	424	231	1	17	1,057	133	1,090	△1,090	—
Total	145,746	7,654	3,130	5,740	2,280	164,552	1,148	165,700	△1,090	164,509
Segment income (loss)	1,979	1,976	394	235	△32	4,553	42	4,595	△516	4,078

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 (losses) of △516 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 January 31, 2019 (November 1, 2018 — January 31, 2019)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Emanations & Corporate *2	Consolidated *3
	Travel Business	Huis Ten Bosch Group	Hotel Business	Kyushu Sanko Group	Energy Business	Subtotal				
Net Sales										
(1)Sales of outside customers	166,139	6,981	2,904	5,872	3,981	185,878	1,397	187,276	—	187,276
(2)Inter-Segment sales/transfers	478	434	182	9	33	1,138	158	1,297	△1,297	—
Total	166,617	7,415	3,087	5,882	4,014	187,017	1,556	188,573	△1,297	187,276
Segment income	4,071	1,771	257	183	118	6,402	101	6,504	△522	5,981

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 (losses) 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.
4. Matters concerning changes in reporting segments, etc

H.I.S. Group is currently expanding its energy business, including building a biomass power plant in Kakuda City, Miyagi Prefecture and has decided to add "Energy business" segment starting the current consolidated fiscal year. As a result, "HTB ENERGY CO., LTD." was recategorized from Huis Ten Bosch Group to Energy Business, and "H.I.S. Energy Holdings Co., Ltd.", "H.I.S. SUPER POWER Co., Ltd.", and "H.I.S. SUPER POWER LLC" were recategorized from Others to Energy business.

In addition, in connection with the acquisition of shares of "HUIS TEN BOSCH Technical Center Co., Ltd." by H.I.S. Co., Ltd. in the current consolidated fiscal year, "HUIS TEN BOSCH Technical Center Co., Ltd." and its subsidiary "Nishinon Engineering Co., Ltd." were recategorized from "Huis Ten Bosch Group" to "Other". The segment information for the three months ended January 31, 2018 was prepared based on the reporting segment classification after the changes above.