

**Consolidated Financial Results for the First Three Months
of the Fiscal Year Ending October 31, 2020 (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, 2020 (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 03, 2020

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 09, 2020

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, 2020
(November 1, 2019 – January 31, 2020)**

(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, 2020	199,618	6.6	3,791	(36.6)	4,288	(17.5)	2,177	(7.6)
Jan 31, 2019	187,276	13.8	5,981	46.7	5,199	31.4	2,356	80.9

(*Note) Comprehensive Income: JPY3,155 million [(8.7%) for the 3 months ended January 31, 2020
JPY3,456 million [29.3%] for the 3 months ended January 31, 2019

	EPS	Diluted EPS
	JPY	JPY
3 months ended		
Jan 31, 2020	37.93	35.15
Jan 31, 2019	41.12	35.52

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	BPS
As of	JPY million	JPY million	%	JPY
Jan 31, 2020	577,884	126,306	16.7	1,685.20
Oct 31, 2019	577,399	123,909	16.8	1,686.22

(*Reference) Shareholders' Equity : JPY96,771 million as of January 31, 2020
JPY96,773 million as of October 31, 2019

2. Dividends

	Annual Dividends Per Share				
	1 st Quarter-end	2 nd Quarter-end	3 rd Quarter-end	Fiscal year-end	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year ended October 31, 2019	—	0.00	—	33.00	33.00
Fiscal Year ending October 31, 2020	—				
Fiscal Year ending October 31, 2020(Forecast)		0.00	—	33.00	33.00

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

3. Financial Forecasts for Fiscal Year ending October 31, 2020 (November 1, 2019 – October 31, 2020)

(% 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	375,000	(0.8)	2,400	(73.3)	3,500	(60.6)	800	(83.9)	13.93
Full Year	775,000	(4.1)	1,700	(90.3)	2,800	(83.6)	(1,100)	(109.0)	(19.16)

(*Note) Changes from the most recently announced financial forecasts: Yes

(*Notes)

(1) Changes in significant subsidiaries during the 3 months ended January 31, 2020 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

1 new addition: DORAK HIS OTELCILIK VE TIC.A.S.

(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, 2020	68,522,936 shares
As of Oct 31, 2019	68,522,936 shares

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

As of Jan 31, 2020	11,098,698 shares
As of Oct 31, 2019	11,132,098 shares

3) Average Number of Shares during the period

3 months ended Jan 31, 2020	57,407,463 shares
3 months ended Jan 31, 2019	57,303,996 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 (155,200 shares as of January 31, 2020 and 188,600 shares as of October 31, 2019) and the number of treasury stock deducted in calculating the average number of shares during the period (171,975 shares during 3 months ended January 31, 2020 and 269,500 shares as of January 31, 2019).

(*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 3 Months Ended January 31, 2020

(1) Explanation of Operating Results

Regarding the business environment during the 3 months ended January 31, 2020, the domestic economy in Japan showed moderate recovery due to improvements in employment and income environments and to the effects of various governmental policies, despite weakness in some categories. The international situation continued to see tensions around trade issues and uncertainties of economic outlook and situations in some areas.

Under such circumstances, H.I.S. Group reorganized its business execution structure to respond to its expanding business domain. 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 3 months ended January 31, 2020, the number of Japanese travelers departing from Japan decreased by 0.4% year-over-year to 4.73 million, due partly to unstable East Asian situation. The number of foreign visitors to Japan decreased by 1.8% year-over-year to 7.62 million due to the slow-down of the huge South Korean market. (Source: Japan Tourism Board (JNTO))

Regarding the travel business in Japan, overall sales were at the same level as the previous fiscal year as the demand for travel to Europe and Guam continued while campaign of travel to Okinawa in winter was successful in Japan in addition to the maximum nine-day consecutive year end / New Year holiday, partly offset by unstable situations in Hong Kong and South Korea. Inbound travel to Japan was weak due to the worsening competitive environment for customers from East Asia, despite the efforts to improve. Regarding the corporate business, H.I.S. Group promoted overseas expansion support business for Japanese companies, and on the other hand, conducted promotion business with municipal governments.

Regarding the travel business overseas, sales increased due to RED LABEL VACATIONS INC., which was consolidated from the 3rd quarter of the previous consolidated fiscal year, but profitability was weak due to increase in costs such as salaries and compensation.

The number of H.I.S. Group's sales locations was 259 in Japan and 274 in 165 cities in 69 countries outside of Japan as of the end of January 2020 as a result of opening new locations and consolidation.

As a result of the above, the Travel Business recorded net sales of 175,320 million yen (105.2% of the same period last year), and operating profit of 2,370 million yen (58.2% of the same period last year).

(Huis Ten Bosch Group)

Huis Ten Bosch had forecasted an increase in the number of visitors with “Passport Revolution”, in which attractions that used to be charged separately are now available by passport, in addition to developing core contents such as "The Kingdom of Light", which celebrated its 10th year, and "ONEPIECE Thousand Sunny Cruise 2nd", which had revived for the first time in four and a half years. But due to the negative day sequence around Christmas time and decline in the number of inbound visitors to Japan, the number of visitors was 688,000, 97.2% as compared to the same period of the previous fiscal year.

As a result of the above, Huis Ten Bosh Group recorded net sales of 6,447 million yen (86.9% of the same period last year) and operating profit of 644 million yen (36.4% of the same period last year) during the 3 months January 31, 2020.

(Hotel Business)

In the Hotel Business, H.I.S. Group continued to focus on the development of "Henn na Hotel", aiming for the number one productivity in the world, by opening “Henn na Hotel Kansai Airport” with a natural hot spring facility, the first attempt, and “Henn Na Hotel Kanazawa Korinbo”, which opened for the first time in the Hokuriku area. Among existing hotels, Guam Reef Hotel performed well, with successful business developments in line with market trends.

As a result of the above, Hotel Business recorded net sales of 3,811 million yen (123.4% of the same period last year), operating profit of 311 million yen (121.0% of the same period last year) and EBITDA of 731 million yen (140.6% of the same period last year) during the 3 months ended January 31, 2020.

(Kyushu Sanko Group)

In the Kyushu Sanko Group, in addition to the solid performance of the bus business, a large commercial facility “SAKURA MACHI Kumamoto” opened in September 2019. Due to these reasons, net sales were 6,934 million yen (117.9% of the same period last year) and operating profit was 316 million yen (172.6% of the same period last year) during the 3 months ended January 31, 2020.

(Energy Business)

In the energy business, net sales were 6,291 million yen (156.7% of the same period last year) and operating profit was 268 million yen (225.9% of the same period last year) during the 3 months ended January 31, 2020 due to an increase in the number of contracts due to an increase in sales channels, to a new initiative to start full-scale retail sales of gas by selling gas with

electric power, and to stable procurement environment in the electric power retail business. As a result of the above, H.I.S. Group recorded net sales of 199,618 million yen (106.6% of the same period last year), operating profit of 3,791 million yen (63.4% of the same period last year), ordinary profit of 4,288 million yen (82.5% of the same period last year), and net profit attributable to owners of parent of 2,177 million yen (92.4% of the same period last year) during the 3 months ended January 31, 2020.

(2) Explanation of Financial Position

Total assets as of the end of January 2020 increased by 484 million yen as compared to the end of October 2019 to 577,884 million yen. This was due mainly to 26,114 million yen increase in property, plant and equipment, 5,005 million yen increase in travel advance payments, 23,600 million yen decrease in cash and deposits, and 8,542 million yen decrease in accounts receivable / other.

Total liabilities as of the end of January 2020 decreased by 1,912 million yen as compared to the end of October 2019 to 451,577 million yen. This was due mainly to 15,391 million yen increase in travel advance received, 13,779 million yen increase in lease obligations, 14,947 million yen decrease in accounts payable / other, 12,708 million yen decrease in loans payable, and 2,316 million yen decrease in provisions for bonuses.

Net assets as of the end of January 2020 increased by 2,397 million yen as compared to the end of October 2019 to 126,306 million yen. This was due mainly to 2,399 million yen increase in non-controlling interests.

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

Consolidated financial forecasts for the second quarter and the full year are expected to be affected by the spread of new coronavirus infections, mainly in the Travel Business, Huis Ten Bosch Group and the Hotel Business. In addition, Huis Ten Bosch anticipated an increase in the number of visitors due to event measures and revisions to admission fees, but this has not led to improvement. Taking these factors into account, the consolidated financial forecasts announced on December 12, 2019 have been revised. For details, please refer to “Notice Regarding Revision of Financial Forecasts” disclosed today (March 2, 2020).

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

① Influence of new coronavirus

At this time, the consolidated financial forecasts have been revised on the assumption that the effects of the spread of the new coronavirus will continue until July 2020. The actual end time may affect the consolidated financial forecasts for the second quarter and the full year. On the other hand, Huis Ten Bosch Group has decided to temporarily close the theme park from February 29, 2020 to March 15, 2020. However, the amount of the effect is currently being calculated and is not reflected in the consolidated financial forecasts.

② Foreign Exchange 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 and other measures to reduce the impact of fluctuations in exchange rates, but if the exchange rate fluctuates significantly, there is a possibility that the financial forecasts for the second quarter and the full year could be affected.

③ Increase/Decrease of Fuel Surcharges

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

2. Consolidated Financial Statements

(Millions of yen)

	As of October 31, 2019	As of January 31, 2020
Assets		
Current assets		
Cash and deposits	219,175	195,574
Notes and accounts receivable - trade	45,653	48,686
Trade accounts receivable	4,287	2,417
Travel advance payments	52,102	57,108
Prepaid expenses	2,888	3,054
Short-term loans receivable	1,389	313
Short-term loans receivable from subsidiaries and associates	307	375
Accounts receivable - other	16,936	8,394
Other	6,305	7,286
Allowance for doubtful accounts	(766)	(768)
Total current assets	348,280	322,442
Non-current assets		
Property, plant and equipment		
Buildings, net	53,394	58,487
Tools, furniture and fixtures, net	7,567	9,208
Land	47,654	48,888
Leased assets, net	3,330	15,940
Construction in progress	27,874	33,071
Other, net	7,277	7,618
Total property, plant and equipment	147,098	173,213
Intangible assets		
Goodwill	7,305	7,291
Other	19,271	19,073
Total intangible assets	26,576	26,365
Investments and other assets		
Investment securities	16,270	15,637
Shares of subsidiaries and associates	3,241	2,981
Investments in capital of subsidiaries and associates	50	50
Long-term loans receivable	3,313	3,428
Long-term loans receivable from subsidiaries and associates	1,071	2,424
Retirement benefit asset	529	540
Deferred tax assets	8,134	8,510
Guarantee deposits	11,862	11,570
Other	11,189	10,964
Allowance for doubtful accounts	(388)	(406)
Total investments and other assets	55,275	55,702
Total non-current assets	228,951	255,280
Deferred assets	168	161
Total assets	577,399	577,884

(Millions of yen)

	As of October 31, 2019	As of January 31, 2020
Liabilities		
Current liabilities		
Trade accounts payable	38,082	37,650
Short-term borrowings	6,903	5,063
Current portion of long-term borrowings	37,548	27,434
Accounts payable - other	22,319	7,371
Accrued expenses	4,517	4,852
Income taxes payable	3,904	2,412
Accrued consumption taxes	1,057	624
Travel advance received	92,760	108,152
Lease obligations	793	2,661
Provision for bonuses	5,510	3,193
Provision for bonuses for directors (and other officers)	224	107
Other	17,950	18,252
Total current liabilities	231,572	217,777
Non-current liabilities		
Bonds payable	30,000	30,000
Convertible bond-type bonds with share acquisition rights	25,090	25,086
Long-term borrowings	146,403	145,649
Deferred tax liabilities	4,789	5,627
Retirement benefit liability	7,715	7,781
Provision for retirement benefits for directors (and other officers)	371	364
Lease obligations	2,767	14,679
Other	4,779	4,612
Total non-current liabilities	221,918	233,800
Total liabilities	453,490	451,577
Net assets		
Shareholders' equity		
Share capital	11,000	11,000
Capital surplus	3,392	3,389
Retained earnings	112,409	112,085
Treasury shares	(28,309)	(28,206)
Total shareholders' equity	98,493	98,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,019	798
Deferred gains or losses on hedges	75	72
Foreign currency translation adjustment	(2,626)	(2,223)
Remeasurements of defined benefit plans	(187)	(143)
Total accumulated other comprehensive income	(1,719)	(1,496)
Non-controlling interests	27,135	29,535
Total net assets	123,909	126,306
Total liabilities and net assets	577,399	577,884

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

Consolidated Statements of Income (Millions of yen)

	Three months ended January 31, 2019	Three months ended January 31, 2020
Net sales	187,276	199,618
Cost of sales	152,182	163,593
Gross profit	35,093	36,025
Selling, general and administrative expenses	29,111	32,233
Operating profit	5,981	3,791
Non-operating income		
Interest income	411	387
Share of profit of entities accounted for using equity method	6	28
Foreign exchange gains	—	260
Other	279	381
Total non-operating income	697	1,058
Non-operating expenses		
Interest expenses	174	230
Loss on investments in capital	203	172
Foreign exchange losses	609	—
Other	492	157
Total non-operating expenses	1,479	560
Ordinary profit	5,199	4,288
Extraordinary income		
Gain on sales of investment securities	—	512
Total extraordinary income	—	512
Extraordinary losses		
Impairment loss	—	249
Total extraordinary losses	—	249
Profit before income taxes	5,199	4,551
Income taxes	1,803	1,710
Profit	3,395	2,841
Profit attributable to non-controlling interests	1,039	663
Profit attributable to owners of parent	2,356	2,177

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended January 31, 2019	Three months ended January 31, 2020
Profit	3,395	2,841
Other comprehensive income		
Valuation difference on available-for-sale securities	(73)	(221)
Deferred gains or losses on hedges	(320)	(2)
Foreign currency translation adjustment	427	500
Remeasurements of defined benefit plans, net of tax	25	45
Share of other comprehensive income of entities accounted for using equity method	1	(8)
Total other comprehensive income	61	314
Comprehensive income	3,456	3,155
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,520	2,400
Comprehensive income attributable to non-controlling interests	936	755

(3) Notes on Quarterly Consolidated Financial Statements

(Segments Information)

Information on net sales, incomes or losses by reported segment

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

(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	174,845	6,079	3,586	6,933	6,258	197,704	1,914	199,618	–	199,618
(2)Inter-Segment sales/transfers	474	368	225	0	32	1,101	143	1,244	(1,244)	–
Total	175,320	6,447	3,811	6,934	6,291	198,805	2,058	200,863	(1,244)	199,618
Segment income	2,370	644	311	316	268	3,910	402	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.