

**Consolidated Financial Results for the First Six 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 Six Months ended April 30, 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.

June 24, 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: July 03, 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 Six Months of the Fiscal Year Ending October 31, 2020
(November 1, 2019 – April 30, 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	%
6 months ended Apr 30, 2020	344,353	(8.9)	(1,469)	—	(760)	—	(3,459)	—
Apr 30, 2019	377,839	10.7	8,979	17.2	8,874	13.0	4,964	37.9

(*Note) Comprehensive Income: JPY(5,410) million [—%] for the 6 months ended April 30, 2020

JPY4,178 million [(6.6%)] for the 6 months ended April 30, 2019

	EPS	Diluted EPS
6 months ended	JPY	JPY
Apr 30, 2020	(60.24)	—
Apr 30, 2019	86.61	74.84

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	BPS
As of	JPY million	JPY million	%	JPY
Apr 30, 2020	488,089	117,632	18.5	1,568.09
Oct 31, 2019	577,399	123,909	16.8	1,686.22

(*Reference) Shareholders' Equity : JPY90,120 million as of April 30, 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
Fiscal Year ended October 31, 2019	JPY —	JPY 0.00	JPY —	JPY 33.00	JPY 33.00
Fiscal Year ending October 31, 2020	—				
Fiscal Year ending October 31, 2020(Forecast)		0.00	—	—	—

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

The dividend forecast for the fiscal year ending October 31, 2020 has not been determined at this time.

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

Consolidated financial forecasts for fiscal year ending October 31, 2020 are undetermined as it is difficult to reasonably estimate the impact of the new coronavirus infection at this time. Consolidated financial forecasts will be announced as soon as they become available.

(*Note) Changes from the most recently announced financial forecasts: 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 Apr 30, 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 Apr 30, 2020	11,051,148 shares
As of Oct 31, 2019	11,132,098 shares

3) Average Number of Shares during the period

6 months ended Apr 30, 2020	57,429,917 shares
6 months ended Apr 30, 2019	57,316,267 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 (117,000 shares as of April 30, 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 (153,528 shares during 6 months ended April 30, 2020 and 259,814 shares as of April 30, 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.

Qualitative Information regarding the Financial Results for the Six Months Ended April 30, 2020

(1) Explanations of Operating Results

During the six months ended April 30, 2020, the business environments in Japan and abroad were tough due to the impact of the new coronavirus infection, which put downward pressure on the economy. In addition, in international affairs, concerns about tensions over trade issues, uncertainty about the future of the economy and the situation in some regions continued to be seen.

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 six months ended April 30, 2020, the number of Japanese travelers departing from Japan decreased by 36.0% year-over-year to 6.32 million, and the number of foreign visitors to Japan decreased by 44.5% year-over-year to 8.91 million as the impact of the new coronavirus infection began to emerge in late January and subsequently spread to many markets, and as travel restrictions and other measures were tightened in many countries. (Source: Japan Tourism Board (JNTO))

Regarding the travel business in Japan, in addition to reviewing the timing of the start of programs, such as rolling out a family campaign at a more appealing time of year, recovery campaigns in various areas, and nationwide online sale, the corporate business developed a new crisis management system and released an emergency evacuation assistance service as a new service. However, each market was affected by a series of flight cancellations, increased travel restrictions, and self-restraint of travel in the domestic market, resulting in a significant decline.

Regarding the travel business overseas, in addition to sales increase due to RED LABEL VACATIONS INC., which was consolidated from the 3rd quarter of the previous consolidated fiscal year, 11 sales locations were newly opened, including various specialty sales locations. The number of H.I.S. Group's sales locations was 258 in Japan and 269 in 163 cities in 69 countries outside of Japan as of the end of April 2020 as a result of opening new locations and consolidation.

As a result of the above, the Travel Business recorded net sales of 299,589 million yen (88.9% of the same period last year), and operating loss of 1,676 million yen (operating profit of 6,201 million yen in the same period last year).

(Huis Ten Bosch Group)

At Huis Ten Bosch, in addition to various measures to attract more visitors such as "Passport Revolution" in which attractions that used to be charged separately are now available by passport, and "Huis Ten Voice Campaign", an attempt to gather feedback from a wide range of visitors to make improvements, "Kingdom of Light", a winter event, featured "World of White and Silver," an unprecedented all-white illumination event. However, the effects of the spread of the new coronavirus began to emerge in late January, and due to the temporary closure of the park for 18 days from February 29 until March 15 and the subsequent sharp drop in domestic travel demand, the number of visitors was 1,040,000, 79.8% 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 9,848 million yen (71.9% of the same period last year) and operating loss of 505 million yen (operating profit of 2,680 million yen in the same period last year) during the six months ended April 30, 2020.

(Hotel Business)

In the Hotel Business, domestic and overseas hotels were affected by the spread of the new coronavirus from late January, and room bookings began to decline, resulting in a difficult outcome. In addition, Green World Hotels Co. Ltd. (Taiwan), as a result of rapid deterioration of operating results, recorded impairment loss on a portion of its fixed assets as an extraordinary loss.

As a result of the above, the Hotel Business recorded net sales of 6,470 million yen (104.3% of the same period last year), operating loss of 494 million yen (operating profit of 467 million yen in the same period last year) and EBITDA of 1,244 million yen (119.2% of the same period last year) during the six months ended April 30, 2020.

(Kyushu Sanko Group)

The Kyushu Sanko Group's real estate leasing business and marine transportation business were solid as a result of the opening of the large-scale commercial facility "SAKURA MACHI Kumamoto", but the travel, bus, and other businesses were impacted by the spread of the new coronavirus. Due to these reasons, net sales were 12,394 million yen (111.1% of the same period last year) and operating profit was 198 million yen (66.5% of the same period last year) during the six months ended April 30, 2020.

(Energy Business)

In the Energy Business, in addition to the opening of the Nagoya sales office as a base for the Chubu region to strengthen sales agents, the promotion of alliances with companies in the Kansai region led to an increase in the number of contracts, and the strengthening of advertising on the Internet contributed to sales in the electric power retail business. Due to these reasons, net sales were 14,006 million yen (150.9% of the same period last year) and operating profit was 933 million yen (256.8% of the same period last year) during the six months ended April 30, 2020.

As a result of the above, H.I.S. Group recorded net sales of 344,353 million yen (91.1% of the same period last year), operating loss of 1,469 million yen (operating profit of 8,979 million yen in the same period last year), ordinary loss of 760 million yen (ordinary profit of 8,874 million yen in the same period last year), and net loss attributable to owners of parent of 3,459 million yen (net profit attributable to owners of parent of 4,964 million yen in the same period last year) during the six months ended April 30, 2020.

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

The business environments are expected to remain extremely challenging due to the rapid deterioration affected by the new coronavirus infection, and there are concerns that the spread of the disease could have a further negative impact on the domestic and overseas economies. In addition, a rapid decline in consumer spending due to declining corporate earnings and a worsening employment situation could have an impact on H.I.S Group's results of operations.

Since the previous announcement on March 2, the World Health Organization (WHO) declared a pandemic of the new coronavirus infection on March 11, and outing and travel restrictions have been implemented in many countries around the world. It is expected that H.I.S. Group's business activities will continue to be affected by the timing of the lifting of these restrictions.

Under these circumstances, it is difficult to reasonably calculate the impact of the spread of the new coronavirus on H.I.S. Group's financial results at this stage. Therefore, the full-year consolidated financial forecasts announced on March 2 have been withdrawn and are still undecided. Consolidated financial forecasts will be announced as soon as reasonable calculations of financial forecasts become available.

2. Consolidated Financial Statements

(Millions of yen)

	As of October 31, 2019	As of April 30, 2020
Assets		
Current assets		
Cash and deposits	219,175	124,320
Notes and accounts receivable - trade	45,653	28,262
Trade accounts receivable	4,287	2,694
Travel advance payments	52,102	35,976
Prepaid expenses	2,888	2,844
Short-term loans receivable	1,389	334
Short-term loans receivable from subsidiaries and associates	307	406
Accounts receivable - other	16,936	7,471
Other	6,305	6,505
Allowance for doubtful accounts	△766	△980
Total current assets	348,280	207,835
Non-current assets		
Property, plant and equipment		
Buildings, net	53,394	67,508
Tools, furniture and fixtures, net	7,567	10,405
Land	47,654	75,570
Leased assets, net	3,330	15,674
Construction in progress	27,874	25,009
Other, net	7,277	7,705
Total property, plant and equipment	147,098	201,873
Intangible assets		
Goodwill	7,305	5,817
Other	19,271	18,652
Total intangible assets	26,576	24,470
Investments and other assets		
Investment securities	16,270	11,477
Shares of subsidiaries and associates	3,241	2,928
Investments in capital of subsidiaries and associates	50	50
Long-term loans receivable	3,313	3,430
Long-term loans receivable from subsidiaries and associates	1,071	2,314
Retirement benefit asset	529	552
Deferred tax assets	8,134	10,280
Guarantee deposits	11,862	11,540
Other	11,189	11,562
Allowance for doubtful accounts	△388	△384
Total investments and other assets	55,275	53,753
Total non-current assets	228,951	280,097
Deferred assets	168	156
Total assets	577,399	488,089

(Millions of yen)

	As of October 31, 2019	As of April 30, 2020
Liabilities		
Current liabilities		
Trade accounts payable	38,082	20,638
Short-term borrowings	6,903	5,557
Current portion of long-term borrowings	37,548	21,422
Accounts payable - other	22,319	13,941
Accrued expenses	4,517	3,752
Income taxes payable	3,904	2,416
Accrued consumption taxes	1,057	669
Travel advance received	92,760	44,102
Lease obligations	793	2,465
Provision for bonuses	5,510	1,437
Provision for bonuses for directors (and other officers)	224	58
Other	17,950	17,893
Total current liabilities	231,572	134,355
Non-current liabilities		
Bonds payable	30,000	30,000
Convertible bond-type bonds with share acquisition rights	25,090	25,081
Long-term borrowings	146,403	148,429
Deferred tax liabilities	4,789	5,234
Retirement benefit liability	7,715	7,776
Provision for retirement benefits for directors (and other officers)	371	375
Lease obligations	2,767	14,586
Other	4,779	4,617
Total non-current liabilities	221,918	236,102
Total liabilities	453,490	370,457
Net assets		
Shareholders' equity		
Share capital	11,000	11,000
Capital surplus	3,392	3,417
Retained earnings	112,409	106,447
Treasury shares	△28,309	△28,065
Total shareholders' equity	98,493	92,799
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,019	172
Deferred gains or losses on hedges	75	△60
Foreign currency translation adjustment	△2,626	△2,692
Remeasurements of defined benefit plans	△187	△98
Total accumulated other comprehensive income	△1,719	△2,678
Share acquisition rights	—	13
Non-controlling interests	27,135	27,497
Total net assets	123,909	117,632
Total liabilities and net assets	577,399	488,089

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

Consolidated Statements of Income

(Millions of yen)

	Six months ended April 30, 2019	Six months ended April 30, 2020
Net sales	377,839	344,353
Cost of sales	308,350	287,552
Gross profit	69,488	56,800
Selling, general and administrative expenses	60,509	58,270
Operating profit (loss)	8,979	△1,469
Non-operating income		
Interest income	808	731
Share of profit of entities accounted for using equity method	11	—
Foreign exchange gains	—	45
Subsidy income	308	396
Other	681	680
Total non-operating income	1,810	1,853
Non-operating expenses		
Interest expenses	363	609
Share of loss of entities accounted for using equity method	—	62
Foreign exchange losses	241	—
Other	1,310	472
Total non-operating expenses	1,915	1,144
Ordinary profit (loss)	8,874	△760
Extraordinary income		
Gain on sales of investment securities	—	965
Gain on reversal of share acquisition rights	513	—
Total extraordinary income	513	965
Extraordinary losses		
Impairment loss	—	2,865
losses from downtime	—	1,185
Total extraordinary losses	—	4,051
Profit (loss) before income taxes	9,387	△3,846
Income taxes	3,350	543
Profit (loss)	6,036	△4,390
Profit (loss) attributable to non-controlling interests	1,072	△930
Profit (loss) attributable to owners of parent	4,964	△3,459

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended April 30, 2019	Six months ended April 30, 2020
Profit	6,036	△4,390
Other comprehensive income		
Valuation difference on available-for-sale securities	1	△846
Deferred gains or losses on hedges	△73	△133
Foreign currency translation adjustment	△1,829	△162
Remeasurements of defined benefit plans, net of tax	49	91
Share of other comprehensive income of entities accounted for using equity method	△5	30
Total other comprehensive income	△1,858	△1,020
Comprehensive income	4,178	△5,410
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,330	△4,418
Comprehensive income attributable to non-controlling interests	848	△991

(4) Consolidated Statements of Changes in Equity

(Millions of yen)

	Six months ended April 30, 2019	Six months ended April 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	9,387	△3,846
Depreciation	4,094	6,437
Impairment loss	—	2,865
Amortization of goodwill	455	424
Increase (decrease) in provision for bonuses	195	△4,071
Increase (decrease) in provision for bonuses for directors (and other officers)	△60	△166
Increase (decrease) in retirement benefit liability	243	243
Increase (decrease) in provision for retirement benefits for directors (and other officers)	30	3
Interest and dividend income	△928	△753
Share of loss (profit) of entities accounted for using equity method	△11	62
Foreign exchange losses (gains)	571	556
Interest expenses	363	609
Loss (gain) on sales of investment securities	—	△965
Gain on reversal of share acquisition rights	△513	—
Other loss (gain)	408	△352
Decrease (increase) in trade receivables	6,189	18,610
Decrease (increase) in travel advance payments	△1,701	16,161
Decrease (increase) in other assets	3,588	5,256
Increase (decrease) in trade payables	1,341	△16,782
Increase (decrease) in accrued consumption taxes	△160	△2,872
Increase (decrease) in accrued expenses	162	△733
Increase (decrease) in travel advances received	4,921	△48,676
Increase (decrease) in other liabilities	5,384	7,005
Subtotal	33,963	△20,982
Interest and dividends received	923	1,119
Interest paid	△330	△632
Income taxes (paid) refund	△3,836	△3,795
Net cash provided by (used in) operating activities	30,720	△24,291

(Millions of yen)

	Six months ended April 30, 2019	Six months ended April 30, 2020
Cash flows from investing activities		
Payments into time deposits	△16,798	△16,076
Proceeds from withdrawal of time deposits	16,025	17,610
Proceeds from redemption of securities	74	—
Purchase of property, plant and equipment and intangible assets	△40,993	△58,811
Proceeds from sales of property, plant and equipment	169	45
Purchase of investment securities	△2,994	△1,320
Proceeds from sales of investment securities	1,334	5,717
Purchase of shares of subsidiaries and associates	△708	△57
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	△851
Loan advances	△774	△170
Collection of loans receivable	176	1,167
Payments of guarantee deposits	△1,695	△834
Proceeds from refund of guarantee deposits	257	1,147
Revenue from redevelopment project	9,678	1,587
Other, net	1,442	43
Net cash provided by (used in) investing activities	△34,806	△50,802
Cash flows from financing activities		
Proceeds from short-term borrowings	105,278	25,090
Repayments of short-term borrowings	△97,315	△26,064
Proceeds from long-term borrowings	24,200	3,400
Repayments of long-term borrowings	△890	△17,401
Dividends paid	△1,669	△1,900
Dividends paid to non-controlling interests	△405	△431
Proceeds from share issuance to non-controlling shareholders	325	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△1,699	—
Other, net	△226	△350
Net cash provided by (used in) financing activities	27,596	△17,656
Effect of exchange rate change on cash and cash equivalents	△1,102	△44
Net increase (decrease) in cash and cash equivalents	22,406	△92,794
Cash and cash equivalents at beginning of period	191,440	192,541
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	365	208
Cash and cash equivalents at end of period	214,212	99,955

(3) Notes on Quarterly Consolidated Financial Statements

(Segments Information)

Information on net sales, incomes or losses by reported segment

Six months ended Apr 30, 2019 (November 1, 2018 – April 30, 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	335,796	12,792	5,769	11,144	9,214	374,717	3,121	377,839	—	377,839
(2)Inter-Segment sales/transfers	1,034	896	436	11	66	2,445	311	2,757	(2,757)	—
Total	336,831	13,689	6,205	11,155	9,281	377,163	3,433	380,596	(2,757)	377,839
Segment income	6,201	2,680	467	297	363	10,011	226	10,238	(1,259)	8,979

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 (1,259) 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.

Six months ended Apr 30, 2020 (November 1, 2019 – April 30, 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	299,064	9,330	6,066	12,393	13,943	340,797	3,556	344,353	—	344,353
(2)Inter-Segment sales/transfers	525	517	403	1	63	1,512	318	1,830	(1,830)	—
Total	299,589	9,848	6,470	12,394	14,006	342,309	3,874	346,184	(1,830)	344,353
Segment income (loss)	(1,676)	(505)	(494)	198	933	(1,545)	851	(693)	(776)	(1,469)

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 (776) 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.