

# Annual Securities Report

(Report based on Article 24, Paragraph 1 of the  
Financial Instruments and Exchange Act of Japan)

(The 41st Fiscal Year)

From November 1, 2020 to October 31, 2021

H.I.S. Co., Ltd.

4-1-1 Toranomom, Minato-ku, Tokyo

(E04358)

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[Cover]

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## Part I Information on the Company

### I. Overview of the Company

#### 1. Key Financial Data and Trends

##### (1) Consolidated financial data

Fiscal year		37th	38th	39th	40th	41st
Year end		October 2017	October 2018	October 2019	October 2020	October 2021
Net sales	(millions of yen)	606,024	728,554	808,510	430,284	118,563
Ordinary profit (loss)	(millions of yen)	19,647	19,499	17,089	(31,283)	(63,299)
Profit (loss) attributable to owners of parent	(millions of yen)	13,259	11,067	12,249	(25,037)	(50,050)
Comprehensive income	(millions of yen)	20,386	11,606	11,432	(33,573)	(48,430)
Net assets	(millions of yen)	111,247	115,641	123,909	98,421	64,145
Total assets	(millions of yen)	422,809	516,468	577,399	414,604	411,447
Net assets per share	(yen)	1,466.13	1,539.98	1,686.22	1,177.91	580
Earnings (loss) per share	(yen)	219.52	192.96	213.63	(432.66)	(749.86)
Diluted earnings per share	(yen)	204.60	166.87	197.66	—	—
Shareholders' equity ratio	(%)	20.3	17.1	16.8	17.8	9.9
Return on equity	(%)	16.0	12.7	13.2	—	—
Price-earnings ratio	(times)	17.3	17.7	13.2	—	—
Cash flows from operating activities	(millions of yen)	32,369	20,397	39,344	(57,718)	(28,397)
Cash flows from investing activities	(millions of yen)	(26,209)	(44,841)	(52,116)	(47,901)	(7,095)
Cash flows from financing activities	(millions of yen)	29,769	48,304	15,362	(5,602)	40,711
Cash and cash equivalents at end of period	(millions of yen)	168,659	191,440	192,541	80,445	88,079
Number of employees		13,510	13,875	15,202	13,990	10,618
[Average number of temporary employees not included in the above]	(persons)	[3,422]	[3,179]	[3,191]	[2,333]	[1,832]

(Notes)

- Consumption taxes, etc. are not included in net sales.
- The Company has introduced the E-Ship<sup>®</sup> trust-type employee stock ownership incentive plan. In the consolidated financial statements, it records the shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust (the "Trust") as treasury shares. Accordingly, in calculating the amount of net assets per share, the "number of common stock held as treasury shares at fiscal year-end" is calculated by including the shares held by the Trust. In calculating earnings (loss) per share and diluted earnings per share, the "average number of shares of common stock during the period" is calculated by including shares held by the Trust in the treasury shares. Further, the E-Ship<sup>®</sup> trust-type employee stock ownership incentive plan was discontinued in May 2021.
- Although there were dilutive shares in the 40th and 41st fiscal years, diluted earnings per share are not stated due to the recording of a loss per share.
- In the 40th and 41st fiscal years, return on equity and price-earnings ratio are not stated due to the recording of a loss attributable to owners of parent.

## (2) Non-consolidated financial data

Fiscal year		37th	38th	39th	40th	41st
Year end		October 2017	October 2018	October 2019	October 2020	October 2021
Net sales	(millions of yen)	428,734	459,627	479,445	159,261	26,694
Ordinary profit (loss)	(millions of yen)	4,642	6,557	6,551	(11,263)	(20,245)
Profit (loss)	(millions of yen)	(108)	2,038	6,848	(6,355)	(29,908)
Share capital	(millions of yen)	11,000	11,000	11,000	15,000	21,048
Shares issued and outstanding	(shares)	68,522,936	68,522,936	68,522,936	68,768,936	75,969,236
Net assets	(millions of yen)	23,593	19,099	24,741	24,677	7,262
Total assets	(millions of yen)	264,887	322,107	335,222	255,945	263,385
Net assets per share	(yen)	398.96	325.85	431.11	390.24	101.42
Total dividends per share	(yen)	29.00	29.00	33.00	—	—
(interim dividend amount)		(—)	(—)	(—)	(—)	(—)
Earnings (loss) per share	(yen)	(1.80)	35.53	119.44	(109.83)	(448.09)
Diluted earnings per share	(yen)	—	30.25	110.25	—	—
Shareholders' equity ratio	(%)	8.8	5.8	7.4	9.6	2.7
Return on equity	(%)	—	9.7	31.6	—	—
Price-earnings ratio	(times)	—	96.4	23.6	—	—
Dividend payout ratio	(%)	—	81.6	27.6	—	—
Number of employees		5,581	5,498	5,638	5,896	4,078
[Average number of temporary employees not included in the above]	(persons)	[897]	[722]	[791]	[708]	[578]
Total shareholder return	(%)	133.3	121.4	101.4	52.0	92.4
(Benchmark: TOPIX incl. dividends)	(%)	(129.4)	(123.2)	(128.0)	(124.3)	(160.8)
Highest share price	(yen)	3,935	4,250	4,520	3,225	3,030
Lowest share price	(yen)	2,465	2,970	2,346	1,096	1,412

## (Notes)

- Consumption taxes, etc. are not included in net sales.
- The Company has introduced the E-Ship<sup>®</sup> trust-type employee stock ownership incentive plan. In the non-consolidated financial statements, it records the shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust (the "Trust") as treasury shares. Accordingly, in calculating the amount of net assets per share, the "number of common stock held as treasury shares at fiscal year-end" is calculated by including the shares held by the Trust. In calculating earnings (loss) per share and diluted earnings per share, the "average number of shares of common stock during the period" is calculated by including shares held by the Trust in the treasury shares. Further, the E-Ship<sup>®</sup> trust-type employee stock ownership incentive plan was discontinued in May 2021.
- Although there were dilutive shares in the 37th, 40th, and 41st fiscal years, diluted earnings per share are not stated due to the recording of a loss per share.
- In the 37th, 40th, and 41st fiscal years, return on equity, price-earnings ratio, and dividend payout ratio are not stated due to the recording of a net loss.
- The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange.

## 2. Corporate History

Month/Year	Events
December 1980	Established International Tours Co., Ltd. (capital: 10 million yen) at 1-4-6 Nishishinjuku, Shinjuku-ku, Tokyo for the purpose of selling overseas air tickets Opened Osaka Branch (currently Umeda Head Office) in Kita-ku, Osaka
April 1981	Obtained Retail Agency License (No. 3034) from Ministry of Transportation
December 1983	Opened Fukuoka Branch (currently Fukuoka Tenjin Head Office) in Chuo-ku, Fukuoka
September 1984	Opened Nagoya Branch (currently Sakae Head Office) in Nakamura-ku, Nagoya
May 1985	Established HIS (HONG KONG) COMPANY LIMITED
June 1986	Obtained General Travel Agency License (No. 724) from Ministry of Transportation
January 1988	Established H.I.S. INTERNATIONAL TOURS (NY) INC.
October 1989	Established H.I.S. Deutschland Touristik GmbH
April 1990	Changed Company name to H.I.S. Co., Ltd.
August 1990	Established Passaporte Co., Ltd. (currently QUALITA Co., Ltd.)
September 1990	Established No. 1 Travel Shibuya Co., Ltd.
December 1990	Received approval as a certified International Air Transport Association (IATA) agent Established H.I.S. AUSTRALIA PTY. LTD.
April 1991	Established H.I.S. KOREA CO., LTD.
November 1991	Established Central Sales Division as a headquarters organization; established Kanto, Chubu, Kansai, and Kyushu Area Sales Divisions as regional organizations
August 1992	Established H.I.S. INTERNATIONAL TOURS FRANCE SARL (currently HIS INTERNATIONAL TOURS FRANCE SAS)
April 1993	Established H.I.S. INTERNATIONAL TRAVEL PTE LTD
May 1993	Opened Shinjuku Headquarters Branch (currently Shinjuku Head Office) at Southgate Shinjuku, 5-33-8 Sendagaya, Shibuya-ku, Tokyo
September 1993	Acquired equity stake in HAWAII HIS CORPORATION
January 1994	Consolidated the Nagoya Branch and the Nagoya Sakae Branch in Higashi-ku, Nagoya, to establish the Nagoya Branch (currently Sakae Head Office) as a large retail branch Established H.I.S. AUSTRALIA HOLDINGS PTY LTD Established H.I.S. INVESTMENTS PTY LTD
September 1994	Consolidated the Fukuoka Branch, Tenjin Branch, and Head Office Branch in Hakata-ku, Fukuoka, to establish Travel Wonderland Kyushu as a large retail branch
October 1994	Moved and expanded the Osaka Branch to establish Travel Wonderland Kansai (currently Umeda Head Office) as a large retail branch
March 1995	Shares registered with Japan Securities Dealers Association for over-the-counter sales
May 1995	Established H.I.S. INTERNATIONAL TOURS (BC) INC. (currently H.I.S. CANADA INC.)
September 1995	Established THE WATERMARK HOTEL GROUP PTY LTD
December 1995	Established PT. HARUM INDAH SARI TOURS & TRAVEL
January 1996	Established H.I.S. INTERNATIONAL TOURS KOREA INC.
March 1996	Established H.I.S. ITALIA S.R.L. (currently H.I.S. EUROPE ITALY S.R.L.)
November 1996	Opened THE WATERMARK HOTEL, GOLD COAST
March 1997	Established H.I.S. Tours Co., Ltd.
July 1997	Moved Yokohama Branch to Nishi-ku, Yokohama and established Travel Wonderland Yokohama (currently Yokohama Head Office) as a large retail branch
October 1997	Established H.I.S. GUAM, INC. Established H.I.S. SAIPAN, INC.
April 1998	Opened large retail branch Travel Wonderland Shibuya (currently Shibuya Head Office) in Shibuya-ku, Tokyo
June 1998	Opened large retail branch Travel Wonderland Omiya (currently Omiya Head Office) in Omiya-ku, Saitama
October 1999	Opened large retail branch Travel Wonderland Sapporo (currently Sapporo Head Office) in Chuo-ku, Sapporo
December 1999	Acquired equity stake in H.I.S. TAIWAN COMPANY LIMITED
March 2000	Made H.I.S. Kyoritsu Securities Co., Ltd. (currently Sawada Holdings Co., Ltd.) a subsidiary
April 2000	Moved headquarters function and Kanto Area Sales Division to the Shibuya Mark City West Building, 1-12-1 Dogenzaka, Shibuya-ku, Tokyo
May 2000	Acquired Towa Travel Service (currently Orion Tour Co., Ltd.) and made it a subsidiary
December 2000	Established H.I.S. EUROPE LIMITED

Month/Year	Events
February 2001	Dissolved capital relationship with H.I.S. Kyoritsu Securities Co., Ltd. (currently Sawada Holdings Co., Ltd.)
August 2002	Established H.I.S. U.S.A. INC. (currently H.I.S. U.S.A. HOLDING, INC.)
November 2002	Acquired Cruise Planet Co., Ltd. and made it a subsidiary
December 2002	Listed shares on the 2nd Section of the Tokyo Stock Exchange
December 2003	Established HIS (FIJI) LIMITED
April 2004	Moved headquarters function and Kanto Area Sales Division to the Sumitomo Fudosan Shinjuku Oak Tower, 6-8-1 Nishishinjuku, Shinjuku-ku, Tokyo
September 2004	Opened Travel Station Marunouchi Oazo Office (currently Marunouchi Head Office) in Chiyoda-ku, Tokyo
October 2004	Listed shares on the 1st Section of the Tokyo Stock Exchange Established H.I.S. (Austria) Travel GmbH
September 2005	Opened WHG INVESTMENTS BRISBANE PTY LTD
October 2005	Acquired equity stake in Kyushu Industrial Transportation Co., Ltd. (currently Kyushu Sangyo Kotsu Holdings Co., Ltd.)
May 2006	Acquired equity stake in H.I.S.-SONGHAN VIETNAM TOURIST JOINT VENTURE COMPANY LTD. (currently H.I.S SONGHAN VIETNAM TOURIST COMPANY LTD.)
July 2006	Established H.I.S. Travel Switzerland AG
September 2007	Established H.I.S. TRAVEL (UAE) L.L.C. (currently H I S TRAVEL & TOURISM L.L.C.)
April 2008	Reorganized four regional bases (Kanto, Chubu, Kansai, and Kyushu/Chugoku Area Sales Divisions) into the East Japan (Kanto, Tohoku, Hokkaido) and West Japan (Chubu, Kansai, Kyushu, and Chugoku) sales regions Established H.I.S. Travel Nederland B.V.
June 2008	Established H.I.S. (PHILIPPINES) TRAVEL CORP.
July 2008	Acquired equity stake in H.I.S. (HAINAN) INTERNATIONAL TRAVEL SERVICE CO., LTD
December 2008	Opened the Company's first hotel in Japan, Watermark Hotel Sapporo
January 2009	Made Ohshu Express Ltd. a subsidiary
April 2009	Established H.I.S. NEW ZEALAND LIMITED
April 2010	Made Huis Ten Bosch Co., Ltd. a subsidiary
May 2010	Established H.I.S. (SHANGHAI) INTERNATIONAL TRAVEL SERVICE CO., LTD
January 2011	Established HTB CRUISE Co., Ltd.
July 2011	Opened Watermark Hotel Nagasaki Huis Ten Bosch
April 2012	Made GUAM REEF HOTEL, INC. a subsidiary
July 2012	Made Kyushu Sangyo Kotsu Holdings Co., Ltd. a subsidiary
September 2012	Expanded opening of Travel Wonderland Jakarta
December 2012	Established ASIA ATLANTIC AIRLINES CO., LTD.
March 2013	Expanded opening of Travel Wonderland Bangkok
April 2013	Expanded opening of Travel Wonderland Saigon Opened Shinjuku Sanhome Head Office (currently HAWAII Shinjuku Sanhome Office) as a large retail branch in Shinjuku-ku, Tokyo
May 2014	Established Laguna Ten Bosch Co., Ltd.
June 2014	Expanded opening of Travel Wonderland Phnom Penh
May 2015	Opened Watermark Hotel & Spa Bali, Jimbaran on Bali Island, Indonesia
July 2015	Opened Henn na Hotel, showcasing cutting-edge technologies, at Huis Ten Bosch
November 2015	Established LY-HIS Co., Ltd., a joint venture with LY.com
December 2015	Established INTERPARK TOUR JAPAN Co., Ltd., a joint venture with INTERPARK
March 2016	Opened second wing at Henn na Hotel in Huis Ten Bosch
April 2016	Began electric power sales
November 2016	Established H.I.S. Hotel Holdings Co., Ltd.
December 2016	Made Merit Holdings Inc. a subsidiary Made H.S. Insurance Co., Ltd. a subsidiary
March 2017	Established H.I.S. SUPER Power Co., Ltd. Opened Henn na Hotel Maihama Tokyo Bay
May 2017	Established H.I.S. Okinawa Co., Ltd. Made GROUP MIKI HOLDINGS LIMITED a subsidiary Made Green World Hotels Co., Ltd. a subsidiary
August 2017	Opened Henn na Hotel Laguna Ten Bosch
November 2017	Made JONVIEW CANADA INC. a subsidiary

Month/Year	Events
December 2017	Opened Henn na Hotel Tokyo Nishikasai
January 2018	Opened Henn na Hotel Tokyo Ginza
April 2018	Opened Henn na Hotel Tokyo Hamamatsucho
May 2018	Established H.I.S. Energy Holdings Co., Ltd.
July 2018	Opened Henn na Hotel Tokyo Asakusabashi Opened Henn na Hotel Tokyo Akasaka
October 2018	Opened Henn na Hotel Tokyo Haneda
January 2019	Opened Henn na Hotel Fukuoka Hakata Opened Henn na Hotel Osaka Shinsaibashi
March 2019	Opened Henn na Hotel Osaka Namba Made RED LABEL VACATIONS INC. a subsidiary
April 2019	Opened Henn na Hotel Kyoto Hachijoguchi-ekimae
September 2019	Opened Henn na Hotel Tokyo Asakusa Tawaramachi Opened large-scale commercial facility SAKURA MACHI Kumamoto in Sakuramachi, Kumamoto
October 2019	Opened Henn na Hotel Kansai Airport
November 2019	Renewed corporate logo to celebrate 40th anniversary since founding
December 2019	Opened Henn na Hotel Kanazawa Korinbo
June 2020	Expanded headquarters by relocating to Tokyo World Gate Kamiyacho Trust Tower
August 2020	Established H.I.S. Real Estate Co., Ltd.
October 2020	Opened Watermark Hotel Kyoto Opened Henn na Hotel Nara
December 2020	Opened Henn na Hotel Komatsu-ekimae
March 2021	Succeeded operations of Resort Hotel Kume Island
June 2021	Established Green Ocean Co., Ltd. to operate a staffing business
July 2021	Opened Hotel VISON Opened Mantenno Tsujinoya, the first Japanese inn of the Japanese inn regeneration project
August 2021	Opened Henn na Hotel Seoul Myeong Dong
September 2021	Opened Henn na Hotel Sendai Kokubuncho
October 2021	Opened Henn na Hotel New York



### 3. Description of Business

The H.I.S. Group (H.I.S. Co., Ltd. and associated companies; hereinafter, the “H.I.S. Group” or the “Group”) comprises H.I.S. Co., Ltd. (hereinafter, the “Company”), 180 subsidiaries, and 23 associates. The main businesses operated by the Group and the positioning of the Company and associated companies in these businesses are shown below.

The six business groupings of Travel Business, Theme Park Business, Hotel Business, Kyushu Sanko Group, Energy Business, and Other herebelow are consistent with the reportable segments stated in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information, Part I Information on the Company.”

#### (1) Travel Business

The H.I.S. Group businesses undertake domestic and overseas travel and other ancillary businesses.

##### [Associated Companies]

HAWAII HIS CORPORATION	H.I.S. EUROPE LIMITED
H.I.S. INTERNATIONAL TOURS (NY) INC.	HIS INTERNATIONAL TOURS FRANCE SAS
H.I.S. GUAM, INC.	H.I.S. Deutschland Touristik GmbH
H.I.S. CANADA INC.	H.I.S. EUROPE ITALY S.R.L.
H.I.S. – MERIT TRAVEL INC.	HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI
H.I.S. SAIPAN, INC.	GROUP MIKI HOLDINGS LIMITED
JONVIEW CANADA INC.	Orion Tour Co., Ltd.
H.I.S. – RED LABEL VACATIONS INC.	QUALITA Co., Ltd.
H.I.S. KOREA CO., LTD.	Ohshu Express Ltd.
H.I.S. Tours Co., Ltd.	TOUR WAVE CO., LTD
PT. HARUM INDAH SARI TOURS & TRAVEL	Japan Holiday Travel Co., Ltd.
HIS (HONG KONG) COMPANY LIMITED	Cruise Planet Co., Ltd.
H.I.S. TAIWAN COMPANY LIMITED	
H.I.S. INTERNATIONAL TRAVEL PTE LTD	
H.I.S. AUSTRALIA PTY. LTD.	and 113 other companies

#### (2) Theme Park Business

The H.I.S. Group owns and operates theme parks located in Sasebo, Nagasaki Prefecture and Gamagori, Aichi Prefecture.

##### [Associated Companies]

Huis Ten Bosch Co., Ltd.	The Watermark Hotel Nagasaki Co., Ltd.
Laguna Ten Bosch Co., Ltd.	and 8 other companies

#### (3) Hotel Business

The H.I.S. Group operates hotels and other ancillary businesses in Japan, Taiwan, the U.S., Indonesia, etc.

##### [Associated Companies]

H.I.S. Hotel Holdings Co., Ltd.	Green World Hotels Co., Ltd.
GUAM REEF HOTEL, INC.	HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI
PT. HARUM INDAH SARI INDONESIA	and 9 other companies

#### (4) Kyushu Sanko Group

The Kyushu Sanko Group, whose holding company is Kyushu Sangyo Kotsu Holdings Co., Ltd., operates businesses including automobile transport, real estate leasing, etc.

##### [Associated Companies]

Kyushu Sangyo Kotsu Holdings Co., Ltd.	and 15 other companies
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(5) Energy Business

The H.I.S. Group engages in retail electricity sales, the development of new electric power including renewable energy, and other ancillary businesses.

[Associated Companies]

H.I.S. Energy Holdings Co., Ltd.

HTB ENERGY CO., LTD.

H.I.S. SUPER Power Co., Ltd.

and one other company

(6) Other businesses

H.S. Insurance Co., Ltd. handles property and casualty insurance, mainly for overseas travel.

SYS Inc. develops and manages guest room reservation systems, and operates other ancillary businesses.

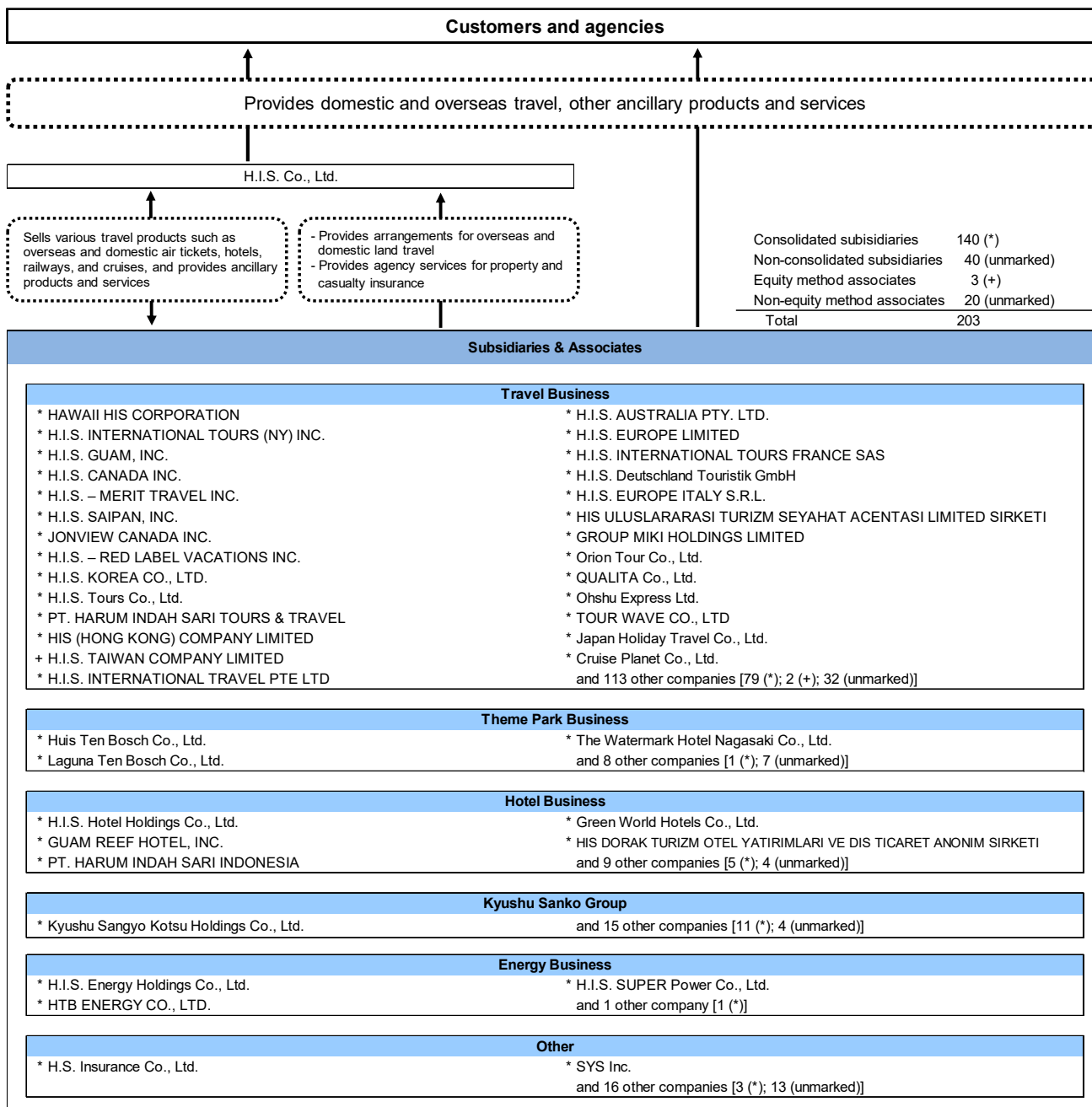
[Associated Companies]

H.S. Insurance Co., Ltd.

SYS Inc.

and 16 other companies

The following table illustrates the H.I.S. Group's operating relationships.



#### 4. Information on Subsidiaries and Associates

##### (1) Consolidated Subsidiaries

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. U.S.A. HOLDING, INC. (Note 3)	Delaware, U.S.A.	847 thousand USD	Travel Business	100.0	1) Concurrent Director Two concurrent directors at said company
HAWAII HIS CORPORATION (Note 2)	Honolulu, Hawaii, U.S.A.	100 thousand USD	Travel Business	100.0 (100.0)	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing and sales of travel products between the companies 3) Capital Assistance The Company guarantees liabilities (up to 38 million yen) against bank guarantees.
H.I.S. INTERNATIONAL TOURS (NY) INC. (Note 2)	New York City, New York, U.S.A.	150 thousand USD	Travel Business	100.0 (100.0)	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing and sales of travel products between the companies 3) Capital Assistance The Company guarantees liabilities (up to 72 million yen) against bank guarantees.
H.I.S. GUAM, INC. (Note 2)	Guam, Territory of U.S.A.	200 thousand USD	Travel Business	100.0 (100.0)	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing and sales of travel products between the companies
H.I.S. SAIPAN, INC. (Note 2)	Saipan, Commonwealth of the Northern Mariana Islands, U.S.A.	200 thousand USD	Travel Business	100.0 (100.0)	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing of travel products from said company
H.I.S. CANADA INC. (Note 2)	Yukon Territory, Canada	100 thousand CAD	Travel Business	100.0 (100.0)	1) Business Transaction Purchasing and sales of travel products between the companies 2) Capital Assistance The Company guarantees liabilities (up to 21 million yen) against bank guarantees.
H.I.S. – MERIT TRAVEL INC. (Note 2) (Note 3)	Vancouver, British Columbia, Canada	45,395 thousand CAD	Travel Business	100.0 (100.0)	1) Concurrent Director Two concurrent directors at said company 2) Capital Assistance The Company guarantees liabilities (up to 91 million yen) against bank guarantees.
JONVIEW CANADA INC. (Note 2) (Note 3)	Toronto, Ontario, Canada	48,899 thousand CAD	Travel Business	100.0 (100.0)	1) Concurrent Director Two concurrent directors at said company

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. CANADA HOLDINGS INC. (Note 3)	Vancouver, British Columbia, Canada	247,804 thousand CAD	Travel Business	100.0	1) Concurrent Director Two concurrent directors at said company 2) Capital Assistance The Company loans 275 million yen in working capital.
H.I.S. – RED LABEL VACATIONS INC. (Note 2) (Note 3)	Vancouver, British Columbia, Canada	142,993 thousand CAD	Travel Business	100.0 (100.0)	1) Concurrent Director Two concurrent directors at said company 2) Business Transaction Purchasing and sales of travel products between the companies
H.I.S. (China) Holding Co., Limited	Hong Kong Special Administrative Region, People's Republic of China	87,257 thousand HKD	Travel Business	100.0	1) Concurrent Director Two concurrent directors at said company
H.I.S. KOREA CO., LTD.	Seoul, Republic of Korea	425,000 thousand KRW	Travel Business	58.8	1) Business Transaction Purchasing of travel products from said company
H.I.S. Tours Co., Ltd.	Bangkok, Kingdom of Thailand	20,000 thousand THB	Travel Business	100.0	1) Business Transaction Purchasing and sales of travel products between the companies 2) Capital Assistance The Company guarantees liabilities (up to 171 million yen) against bank guarantees.
PT. HARUM INDAH SARI TOURS & TRAVEL	Denpasar, Republic of Indonesia	168 thousand USD	Travel Business	90.0	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing and sales of travel products between the companies
HIS (HONG KONG) COMPANY LIMITED (Note 2)	Hong Kong Special Administrative Region, People's Republic of China	1,500 thousand HKD	Travel Business	100.0 (100.0)	1) Concurrent Director Two concurrent directors at said company 2) Business Transaction Purchasing and sales of travel products between the companies 3) Capital Assistance The Company guarantees liabilities (up to 15 million yen) against bank guarantees.
H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD. (Note 2) (Note 3)	Republic of Singapore	20,000 thousand USD	Travel Business	100.0 (0.1)	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing of travel products from said company
H.I.S. INTERNATIONAL TRAVEL PTE LTD (Note 2)	Republic of Singapore	400 thousand SGD	Travel Business	100.0 (100.0)	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing and sales of travel products between the companies

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. AUSTRALIA PTY. LTD. (Note 2)	Queensland, Australia	25 thousand AUD	Travel Business	100.0 (100.0)	1) Business Transaction Purchasing and sales of travel products between the companies
H.I.S. EUROPE LIMITED (Note 2)	London, England	210 thousand GBP	Travel Business	100.0 (100.0)	1) Business Transaction Purchasing and sales of travel products between the companies
GROUP MIKI HOLDINGS LIMITED (Note 3)	London, England	116 thousand EUR	Travel Business	70.3	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing and sales of travel products between the companies
HIS INTERNATIONAL TOURS FRANCE SAS (Note 2)	Paris, France	2,030 thousand EUR	Travel Business	100.0 (100.0)	1) Business Transaction Purchasing and sales of travel products between the companies 2) Capital Assistance The Company guarantees liabilities (up to 36 million yen) against bank guarantees.
H.I.S. Deutschland Touristik GmbH (Note 2)	Frankfurt, Germany	25 thousand EUR	Travel Business	100.0 (100.0)	1) Business Transaction Purchasing and sales of travel products between the companies
H.I.S. EUROPE ITALY S.R.L. (Note 2)	Rome, Italy	83 thousand EUR	Travel Business	100.0 (100.0)	1) Business Transaction Purchasing and sales of travel products between the companies
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	Istanbul, Turkey	9,132 thousand TRY	Travel Business	100.0	1) Business Transaction Purchasing and sales of travel products between the companies 2) Capital Assistance The Company guarantees liabilities (up to 596 million yen) against bank guarantees. In addition, the Company provides payment guarantee (up to 227 million yen) for trade payables.
Orion Tour Co., Ltd.	Chuo-ku, Tokyo	248 million yen	Travel Business	100.0	1) Concurrent Director Two concurrent directors at said company 2) Business Transaction Purchasing of travel products from said company
QUALITA Co., Ltd.	Minato-ku, Tokyo	51 million yen	Travel Business	100.0	1) Concurrent Director Two concurrent directors at said company 2) Business Transaction Purchasing and sales of travel products between the companies 3) Capital Assistance The Company provides payment guarantee (up to 35 million yen) for trade payables.

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
Ohshu Express Ltd.	Minato-ku, Tokyo	100 million yen	Travel Business	100.0	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing and sales of travel products between the companies
TOUR WAVE CO., LTD (Note 2)	Aoba-ku, Sendai, Miyagi Prefecture	80 million yen	Travel Business	100.0 (100.0)	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing and sales of travel products between the companies 3) Capital Assistance The Company provides payment guarantee (up to 10 million yen) for trade payables.
Japan Holiday Travel Co., Ltd.	Chuo-ku, Osaka, Osaka Prefecture	30 million yen	Travel Business	66.7	1) Concurrent Director Two concurrent directors at said company 2) Business Transaction Purchasing and sales of travel products between the companies
Cruise Planet Co., Ltd.	Chiyoda-ku, Tokyo	25 million yen	Travel Business	100.0	1) Concurrent Director Two concurrent directors at said company 2) Business Transaction Purchasing and sales of travel products between the companies
Huis Ten Bosch Co., Ltd. (Note 3)	Sasebo, Nagasaki Prefecture	1,500 million yen	Theme Park Business	66.7	1) Business Transaction Purchasing and sales of travel products between the companies
Laguna Ten Bosch Co., Ltd. (Note 3)	Gamagori, Aichi Prefecture	1,588 million yen	Theme Park Business	66.0	1) Concurrent Director Three concurrent directors at said company 2) Business Transaction Purchasing of travel products from said company 3) Capital Assistance The Company loans 800 million yen in working capital.
The Watermark Hotel Nagasaki Co., Ltd. (Note 2)	Sasebo, Nagasaki Prefecture	250 million yen	Theme Park Business	100.0 (100.0)	1) Business Transaction Purchasing of travel products from said company

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. Hotel Holdings Co., Ltd.	Minato-ku, Tokyo	10 million yen	Hotel Business	100.0	1) Concurrent Director Two concurrent directors at said company 2) Business Transaction Purchasing and sales of hotel products between the companies 3) Capital Assistance The Company guarantees liabilities (up to 235 million yen) against bank guarantees. In addition, it loans 66,806 million yen in working capital and capital expenditure funding.
Aqua Ignis Taki Hotel Asset K.K. (Note 2) (Note 3) (Note 7)	Taki, Mie Prefecture	3,390 million yen	Hotel Business	50.0 (50.0)	1) Concurrent Director One concurrent director at said company
HHH.U.S.A. INC. (Note 2) (Note 3)	New York City, New York, U.S.A.	10,000 thousand USD	Hotel Business	100.0 (100.0)	_____
GUAM REEF HOTEL, INC. (Note 2)	Guam, Territory of U.S.A.	10 thousand USD	Hotel Business	100.0 (100.0)	_____
PT. HARUM INDAH SARI INDONESIA (Note 2)	Badung, Bali, Republic of Indonesia	180 billion IDR	Hotel Business	100.0 (1.0)	_____
Green World Hotels Co., Ltd. (Note 2) (Note 3)	Taipei City, Taiwan	1,097 million TWD	Hotel Business	51.0 (51.0)	1) Capital Assistance The Company guarantees liabilities (up to 1,876 million yen) against bank guarantees.
HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI (Note 2) (Note 3)	Istanbul, Turkey	202,130 thousand TRY	Hotel Business	84.3 (84.3)	1) Concurrent Director One concurrent director at said company
Kyushu Sangyo Kotsu Holdings Co., Ltd. (Note 3) (Note 4)	Chuo-ku, Kumamoto, Kumamoto Prefecture	1,065 million yen	Kyushu Sanko Group	91.6	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing and sales of travel products between the companies 3) Capital Assistance The Company loans 1,830 million yen in capital expenditure funding.
H.I.S. Energy Holdings Co., Ltd.	Minato-ku, Tokyo	382 million yen	Energy Business	100.0	1) Concurrent Director Three concurrent directors at said company
HTB ENERGY CO., LTD. (Note 2) (Note 5) (Note 6)	Chuo-ku, Fukuoka, Fukuoka Prefecture	95 million yen	Energy Business	100.0 (100.0)	1) Concurrent Director Four concurrent directors at said company 2) Capital Assistance The Company provides payment guarantees (up to 2,130 million yen) for trade payables. In addition, the Company loans 13,100 million yen in working capital.



Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. SUPER Power Co., Ltd. (Note 2)	Minato-ku, Tokyo	50 million yen	Energy Business	100.0 (100.0)	1) Concurrent Director Four concurrent directors at said company 2) Business Transaction Purchasing and sales of travel products between the companies 3) Capital Assistance The Company provides payment guarantees (up to 720 million yen) for trade payables. In addition, the Company loans 9,649 million yen in capital expenditure funding.
H.S. Insurance Co., Ltd.	Chuo-ku, Tokyo	1,612 million yen	Other	100.0	1) Business Transaction The Company is a sales representative for travel insurance, etc.
SYS Inc.	Minato-ku, Tokyo	100 million yen	Other	91.4	1) Concurrent Director One concurrent director at said company 2) Business Transaction The Company outsources development of accommodation reservation systems, etc. 3) Capital Assistance The Company loans 1,396 million yen in working capital.
And 94 other companies					

(Notes)

- The "Main business" column indicates segment names stated in "Segment information, etc."
- Figures in parentheses in the "Ownership of voting rights" column represent percentage of voting rights held indirectly by the Company.
- These companies fall under the category of specified subsidiaries.
- The Company files an Annual Securities Report (Yukashoken Hokokusho).
- Net sales at HTB ENERGY CO., LTD. account for more than 10% of consolidated net sales (excluding internal sales transactions among consolidated companies).

Major financial data, etc. (millions of yen)

1) Net sales	37,141
2) Ordinary loss	9,428
3) Loss	9,966
4) Net assets	(9,201)
5) Total assets	10,291

- Liabilities of HTB ENERGY CO., LTD. exceed its assets. The amount of excess liabilities as of September 30, 2021 was 9,201 million yen.
- The Company holds a stake of 50% or less in Aqua Ignis Taki Hotel Asset K.K. However, Aqua Ignis Taki Hotel Asset K.K. is effectively under the Company's control and regarded as a subsidiary.

(2) Entities accounted for using equity method

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. TAIWAN COMPANY LIMITED	Taipei, Taiwan	42 million TWD	Travel Business	50.0	1) Concurrent Director One concurrent director at said company 2) Business Transaction Purchasing and sales of travel products between the companies
And 2 other companies					

(Note) The "Main business" column indicates segment names stated in "Segment information, etc."

## 5. Employees

### (1) Consolidated Companies

As of October 31, 2021

Segment	Number of employees	
Travel Business	6,957	[697]
Theme Park Business	1,031	[644]
Hotel Business	506	[165]
Kyushu Sanko Group	1,486	[239]
Energy Business	133	[—]
Reportable segments total	10,113	[1,745]
Other	215	[66]
Corporate-wide (shared)	290	[21]
Total	10,618	[1,832]

(Notes)

1. The number of employees represents full-time employees only. An additional figure for the average number of temporary staff employed during the fiscal year is provided in square brackets.
2. The employees in “Corporate-wide (shared)” are those belonging to administrative departments and thus do not fall under any business segment.
3. The number of employees decreased by 3,372 from the end of the previous fiscal year. The main reason was personnel reductions at overseas subsidiaries to lower fixed costs due to the COVID-19 pandemic.

### (2) The Filing Company

As of October 31, 2021

Number of employees	Average age	Average length of service	Average annual salary (yen)
4,078 [578]	35.8 years old	11.4 years	3,676,497

Segment	Number of employees	
Travel Business	3,724	[523]
Energy Business	2	[—]
Reportable segments total	3,726	[523]
Other	62	[34]
Corporate-wide (shared)	290	[21]
Total	4,078	[578]

(Notes)

1. The number of employees represents full-time employees only. An additional figure for the average number of temporary staff employed during the fiscal year is provided in square brackets.
2. Average annual salary includes bonuses and extra wages.
3. The employees in “Corporate-wide (shared)” are those belonging to administrative departments and thus do not fall under any business segment.
4. The number of employees decreased by 1,818 from the end of the previous fiscal year. The main reason was the seconding of employees to companies outside of the Group under an Industry Employment Stabilization subsidy.

### (3) Labor Unions

There are no applicable matters to report.

## II. Business Overview

### 1. Management Policy, Management Environment, and Issues to be Addressed, etc.

#### (1) Management Policy

Guided by its corporate philosophy (“In accordance with the laws of the universe, we contribute to the creative development of humanity and world peace”), the H.I.S. Group aims to build new business models that allow it to contribute to world peace not only through travel but through a wide range of other businesses, as a company that consistently pursues change and advancement.

#### (2) Medium- to Long-Term Corporate Management Strategy and Key Performance Indicators

The H.I.S. Group actively undertakes challenges not only in its existing business fields, but also by continually pursuing fresh opportunities in new business domains. It aims to strengthen its earnings structure and further enhance its corporate value by pivoting away from a management organization centered on the existing Travel Business and by reinforcing and transforming its business portfolio. The Group believes sustainable business growth is essential to achieve these goals, and it focuses on growth in sales and operating profit in all its businesses. In the foreseeable future, it targets a shareholders’ equity ratio of 20% or more as an indicator of financial stability, and ROE of 10% or more as an indicator of profitability. The Group is considering formulating a three-year medium-term management plan (starting from the consolidated fiscal year ending in either October 31, 2022 or October 31, 2023) that will provide more details, including about key performance indicators. However, the formulation of such a plan will be contingent on the Group’s ability to ascertain changes in the business environment to a certain extent.

#### (3) Issues to be Addressed

As for the operating environment going forward, the H.I.S. Group expects concerns over economic deterioration to linger as the COVID-19 pandemic continues to spread around the world. Because it is unclear when the pandemic will subside, the Group expects conditions to remain murky, making it difficult to project a recovery in economic activity in Japan and overseas. Amid such an environment, the Group will have to address the following issues.

##### 1) Implement measures in response to the COVID-19 pandemic

The H.I.S. Group has suffered heavily from the COVID-19 pandemic, and its financial foundation has been eroded by the recent deterioration in earnings. Consequently, it regards the implementation of measures to mitigate the impact of the pandemic as an important issue, and will make this a top priority.

##### ○ Increase financial soundness

The H.I.S. Group regards the expansion of shareholders’ equity and the establishment of a system that can generate free cash flow as pressing issues. While maintaining short-term liquidity in hand through measures such as raising funds and liquidizing accumulated asset holdings based on the circumstances, the Group will reinforce its financial structure by thoroughly reducing costs. Until the visibility of the operating environment improves, it will control cash outflows through initiatives such as adopting a cautious stance on investment plans, and accordingly aim to improve its cash position.

##### ○ Management that takes into account life with and after the COVID-19 pandemic

The H.I.S. Group will undertake management predicated on a new cost structure in response to the COVID-19 pandemic. It aims to achieve a rapid recovery in earnings by operating businesses that leverage its uniqueness and competitive edge. In addition, it will decisively pursue opportunities in the post-COVID world, including those stemming from potential industry realignment, and further accelerate its growth.

##### 2) Adapt to various changes

The Company believes that broadening the scope of its understanding and learning about prevailing conditions encourage reflection on and safeguarding against the unknown, and ultimately supports the realization of the sustainable development goals (SDGs). With its sights set on regional resources such as regional culture, historical heritage sites, and the natural environment, the Company concentrates on initiatives that help realize sustainable tourism, ensuring that the traditional ways of living in each region are honored and that all stakeholders assume responsibility for their individual awareness and conduct.

In addition, against the backdrop of dramatic changes in society and businesses driven by technological innovation, the Company believes the ability to discover new potential without being constrained by preconceptions and to continually adapt to various changes is what enables sustainable growth.

It realizes improving productivity and profitability in various business spheres will be the challenge in the foreseeable future. It will promote digital transformation to achieve solutions, aim to implement reforms that support efficient business structures, and work to establish new business models. At the same time, the Company will work to deepen its understanding of all its stakeholders and promote sustainable initiatives under the H.I.S. corporate philosophy.

### 3) Pursuit of customer satisfaction and provision of safe and secure products

To become a global company trusted worldwide and supported by customers, H.I.S. believes it is necessary to provide comfortable, safe, and secure services. Through optimized use of its global network and infrastructure, the Group intends to further provide products, services, and information that are safe, secure, and high-quality, by creating new experience-driven value and offering expanded services. The Group will also make efforts to please and gain the support of customers throughout the world by working to improve the level of its services in Japan and overseas.

### 4) Strengthen Group governance

In the fiscal year under review, the Presidents and other officers of two consolidated subsidiaries of the Group made filings that violated the purpose of the “Go To Travel” subsidy program. In the course of the investigation into incidents involving the improper receipt of “Go To Travel” subsidies, the two aforementioned consolidated subsidiaries did not report for a long time on related conditions to the parent company, even though the investigation started in December 2020. As a result, the parent company was unable to ascertain what happened. The Company realizes that it needs to deeply reflect on the lack of compliance awareness at both subsidiaries, and on its management system for subsidiaries and associates under which information was not adequately shared between the subsidiaries and the parent company.

The Company regards these facts as serious matters, and it will firmly implement the following improvement measures to prevent recurrence, and work to regain trust through enhanced operation of the Group.

#### ○ Reform compliance

The Company aims to implement compliance measures and enhance compliance awareness for the H.I.S. Group through the activities of its Risk Management & Compliance Committee. Its Risk Management Office, which acts as the secretariat of the Risk Management & Compliance Committee, also functions as a reporting and consultation desk to which executives and employees of subsidiaries can report suspected compliance violations. In addition, the top management of the Company promotes its commitment to compliance, and provides compliance training that among other things reaffirms the purpose of the “Go To Travel” subsidy program. In addition, the Company conducts interviews with managers of its various Group companies and confirms their compliance awareness.

#### ○ Strengthen oversight function through Board of Directors of Group companies

To enhance monitoring and oversight functions related to the execution of business operation by Presidents of Group companies, the Company will review the minutes of the Board of Directors meetings of each Group company, and aim to substantiate and enrich the Board of Directors deliberations through initiatives such as providing ample time for discussion, sharing information in advance, and receiving subsequent status reports. In addition, for subsidiaries that have thus far not appointed officers from among the Company’s executives and employees, the Company will reconsider the need for such appointments, and periodically review the currently appointed executives and employees.

#### ○ Strengthen management of subsidiaries by parent company

As noted above, for subsidiaries that have not appointed officers from among the Company’s executives and employees to date (especially second-tier subsidiaries that are deemed to have a major impact on the Group’s consolidated earnings), the Company will examine the need for such appointments. In addition, it will review its Regulations for Management of Subsidiaries and Associates, require subsidiaries and associates to report recurring transactions that exceed a certain amount, and improve operating conditions by ensuring its pre-approval and reporting rules are thoroughly understood and by conducting subsequent checks. Further, the Company aims to strengthen the systems of its management division for subsidiaries and associates, including in areas such as personnel recruiting, training, and retention.

#### ○ Strengthen internal audits

With regard to internal audits, the Company will consider enhancing IT-based risk analysis, reinforcing its audit systems (including by adding audit personnel), and reviewing audit items by adding items related to the receipt of subsidies, etc.

#### ○ Initiatives to detect misconduct at an early stage

The Company will establish an internal reporting system that runs across the Group, and aim to periodically raise awareness of the system. Further, it will improve its capacity to strengthen awareness of compliance and deter fraud through periodic surveys targeting the managers of various companies of the Group.

#### ○ Improvement measures to prevent recurrence of other incidents (IT controls)

The Company will implement various types of measures with a view to detecting internal fraud at an early stage and efficiently implementing subsequent audits from the standpoint of IT controls.

## 2. Business and Other Risks

Among items related to business, accounting, and other conditions of the H.I.S. Group, management recognizes the following major risks that may have a significant impact on the financial condition, management performance, and cash flows of the consolidated companies.

Further, all matters relating to the future in the sections below are based on the views of the H.I.S. Group as of the end of the fiscal year under review.

1) Significant events relating to going concern assumption, etc.

The H.I.S. Group has continued to incur high operating losses and losses attributable to owners of parent since the consolidated fiscal year ended October 31, 2020. Consequently, as of October 31, 2021, there are deemed to be events or circumstances that may give rise to significant doubts regarding the Group's ability to continue as a going concern pursuant to Audit and Assurance Practice Committee Statement No. 74 "Disclosure of the Going Concern Assumption."

To address this, the H.I.S. Group is reducing fixed costs and selling asset holdings such as securities and properties. In addition, at its Board of Directors meeting on November 2, 2021, the Group resolved to procure capital through third-party allotments of new shares, and it has requested its counterparty financial institutions to maintain its existing loan agreements (refinancing).

Based on a cash management plan that reflects reasonable assumptions on when the COVID-19 pandemic will settle down and related countermeasures, the H.I.S. Group has determined that it can retain sufficient capital through October 31, 2022, and therefore deems that there should be no significant uncertainty about its ability to continue as a going concern.

2) Risks related to impact of the COVID-19 pandemic

The H.I.S. Group analyzes the impact of the COVID-19 pandemic on its reportable segments as follows.

Segment	Main categories	Current conditions and outlook
Travel Business	Overseas travel Inbound travel to Japan Overseas inbound travel Overseas outbound travel	<ul style="list-style-type: none"> <li>The business has suffered heavily as factors such as restrictions on emigration/immigration in various countries have resulted in continued lackluster demand.</li> <li>The Group sees the number of travelers progressively recovering from the spring of 2022, following a gradual resumption in cross-border movement.</li> </ul>
	Domestic travel	<ul style="list-style-type: none"> <li>The Group expects demand to rebound due to progress with vaccinations in Japan and the lifting of the state of emergency.</li> <li>It sees demand recovering supported by the resumption (extension) of the "Go To Travel" campaign.</li> </ul>
Theme Park Business	Huis Ten Bosch Laguna Ten Bosch	<ul style="list-style-type: none"> <li>The lifting of the state of emergency has sparked a recovery, and the number of visitors is expanding and approaching the 2019 level.</li> <li>The Group sees demand recovering supported by the resumption (extension) of the "Go To Travel" campaign.</li> </ul>
Hotel Business	Domestic hotels	<ul style="list-style-type: none"> <li>The number of guests has trended up since the state of emergency was lifted, and the Group expects demand to rebound accordingly.</li> <li>The Group sees demand recovering supported by the resumption (extension) of the "Go To Travel" campaign.</li> </ul>
	Overseas hotels	<ul style="list-style-type: none"> <li>The business has suffered heavily as factors such as restrictions on emigration/immigration in various countries have resulted in continued lackluster demand.</li> <li>The business is highly dependent on external demand and is affected by emigration/immigration restrictions in various countries. The Group expects demand will not recover to the 2019 level until the second half of 2022.</li> </ul>
Kyushu Sanko Group	Bus services	<ul style="list-style-type: none"> <li>Bus utilization rates are trending up on signs of a gradual resumption in economic activity due to the lifting of quasi-emergency measures and a drop in COVID-19 cases.</li> <li>The Group expects demand to recover to the 2019 level in the second half of 2022.</li> </ul>

### 3) Risks related to travel demand and industry trends

The Travel Business accounts for 36.2% of Group net sales, and 28.3% of net sales are concentrated in Japan. Consequently, changes in the environment surrounding the Travel Business in Japan could affect the Group's financial position and operating results. Further, although the Group works to ensure sustainable competitiveness, its businesses face intense competition from other companies, prompted by such factors as business model changes of partner companies and market entries by companies from other industries. Future developments in the competitive landscape could therefore affect the Group's financial position and operating results.

### 4) Impact of natural and man-made disasters

The environment surrounding the Group's businesses is vulnerable to disruption of tourism and related infrastructure caused by natural disasters (such as typhoons, tsunamis, and earthquakes), outbreak of contagious diseases, airplane crashes, and political and social instability in various countries or regions caused by terrorist attacks, wars, and other factors. The occurrence of any of these disasters could affect the Group's financial position and operating results.

### 5) Risks related to information leaks and system management

The Group makes use of computer systems for operations including reservation arrangements, and it accordingly manages personal information of a large number of its customers. It makes every effort to ensure sufficient security when building and operating such systems, but the occurrence of failures in communication networks/programs, problems caused by computer viruses, and other factors may lead to serious disruptions such as system failures, information leaks, and data falsification/alteration, which could gravely affect Group operations. In addition, depending on the scale of a system failure, services to customers may be interrupted or repair costs may increase, which could affect the Group's financial position, operating results, and public trust.

### 6) Risks related to provision of products and services

The Group provides restaurant recommendations under its travel products. It also operates restaurants in its other businesses, and compiles manuals for quality control standards and takes sufficient caution to ensure food safety. However, the occurrence of health problems such as food poisoning could lead to a loss of trust or other problems, affecting the Group's financial position and operating results.

### 7) Exchange rate and crude oil price fluctuations

The Group conducts business in foreign currencies, which results in income and expenses as well as assets and liabilities in foreign currencies. The Group hedges risk through forward exchange contracts and other instruments to mitigate the impact of exchange rate fluctuations. However, sharp fluctuations in exchange rates could affect the Group's financial position and operating results. Further, the Group converts figures in the financial statements of overseas consolidated subsidiaries into Japanese yen when preparing the consolidated financial statements, and changes in exchange rates could thus affect the Group's financial position and operating results. In addition, the Group adds a fuel surcharge to overseas travel fares in its Travel Business to reflect changes in crude oil prices, and a notable rise in this surcharge may dampen overall travel demand. Consequently, sharp changes in crude oil prices could affect the Group's financial position and operating results.

### 8) Fluctuations in the valuation of owned assets including securities

The Group holds both listed and unlisted stocks, bonds, and other instruments. Hence, losses on sale or valuation of assets could occur from fluctuations in stock and bond markets in the case of securities with determinable fair market value, and from changes in the financial status of investee companies in the case of securities without determinable fair market value, and the Group's financial position and operating results could be affected as a result.

### 9) Impairment of non-current assets

The H.I.S. Group records property, plant and equipment, intangible assets, stocks, goodwill, and other items arising from investment activities or acquisitions in Japan or abroad as assets on its consolidated balance sheet, and depreciates or amortizes these assets over reasonable periods during which future synergies from business value and business integration are expected to manifest. However, if the Group determines that expected effects cannot be obtained, it books impairment losses for the relevant assets, and this could affect the Group's financial position and operating results.

### 10) Compliance

When conducting business activities, the Group is subject to various laws, regulations, business customs, and social norms in Japan and all countries where its sales offices are located, of which it strives to be in full compliance. However, there is a possibility that conditions considered to be in violation of compliance may arise due to the introduction of unexpected and new regulations, changes in policies of the enforcement authorities, or other causes such as differences in understanding and interpretation. The Group's financial position and operating results could be adversely affected if conditions that are in violation of compliance arise, resulting in expenses related to legal procedures and damage to the H.I.S. brand image.

### 3. Analyses of Financial Position, Business Results, and Cash Flows

The following is an overview, management perspective, analysis, and examination of the Company's financial position, business results, and cash flows in the consolidated fiscal year ended October 31, 2021.

#### (1) Business Results

In the consolidated fiscal year ended October 31, 2021, the operating environment remained challenging. Despite signs of a recovery in some areas, economic activity stagnated as the COVID-19 pandemic caused sharp declines in corporate earnings and a deterioration in employment conditions.

In this environment, the H.I.S. Group worked to thoroughly reduce costs through measures such as taking maximal advantage of government subsidies in various countries, and overhauled its organization while promoting work style reform in response to the pandemic. Guided by its corporate philosophy ("In accordance with the laws of the universe, we contribute to the creative development of humanity and world peace."), the Group aimed to build new business models that can help it contribute to world peace through travel and a wide range of other businesses as a company that consistently pursues change and advancement.

In the consolidated fiscal year ended October 31, 2021, business performance was as follows.

(Millions of yen)

	Year ended October 31, 2020	Year ended October 31, 2021
Net sales	430,284	118,563
Gross profit	69,896	16,383
Operating profit (loss)	(31,129)	(64,058)
Profit (loss) before income taxes	(33,101)	(51,008)
Profit (loss) attributable to owners of parent	(25,037)	(50,050)

Net sales declined 311,720 million yen or 72.4% year on year to 118,563 million yen. The decline was mainly attributable to sharply declined sales in the Travel Business, which was affected substantially by the COVID-19 pandemic.

Selling, general and administrative expenses decreased 20,583 million yen or 20.4% year on year to 80,442 million yen, mainly due to a reduction in personnel expenses, advertising expenses, rent, and other expenses in response to the pandemic.

On the profit side, the Company reported an operating loss of 64,058 million yen (versus an operating loss of 31,129 million yen in the previous fiscal year) due to a sharp decline in gross profit despite efforts to optimize the allocation of management resources and reduce costs. It posted a loss before income taxes of 51,008 million yen (versus a loss before income taxes of 33,101 million yen in the previous fiscal year) as an extraordinary income of 20,766 million yen for employment adjustment subsidies and other factors was partially offset by an extraordinary loss of 8,475 million yen for losses stemming from the temporary suspension of operations and impairment losses on non-current assets. The Company reported a loss attributable to owners of parent of 50,050 million yen (versus a loss attributable to owners of parent of 25,037 million yen in the previous fiscal year), reflecting the booking of 2,234 million yen in income taxes payable and 3,192 million yen in loss attributable to non-controlling interests.

The earnings by segment in the consolidated fiscal year ended October 31, 2021 are shown below. Figures in each segment reflect the amounts before offsetting and eliminating intersegment transactions.

## [Travel Business]

(Millions of yen)

	Year ended October 31, 2020	Year ended October 31, 2021
Net sales	359,631	43,028
Operating profit (loss)	(21,127)	(38,336)

In the consolidated fiscal year ended October 31, 2021, there were signs of domestic travel demand in various countries and regions as COVID-19 vaccinations picked up pace, but the Travel Business continued to face extremely challenging conditions due to ongoing measures such as restrictions on immigration and travel. The number of outbound Japanese travelers during the year decreased 92.6% year on year to 470,000, and the number of inbound travelers to Japan declined 96.3% year on year to 320,000, both major drops from the peak levels recorded in FY2019 (source: Japan National Tourism Organization [JNTO]).

Despite benefiting from a temporary rebound in travel demand aided by the implementation of the “Go To Travel” campaign (a support program promoted by the Japanese government) and rising vaccination rates in Japan, the Company was affected by self-isolation periods imposed on travelers returning to Japan in accordance with border-control measures, continued flight cancellations and travel restrictions, cancellations of planned overseas tours to all destinations, and the successive declaration of quasi-emergency measures and states of emergency that spanned roughly nine months, resulting in a significant decline in travel transactions. Against this backdrop, the Company continued to reduce costs in various countries (including by seconding employees to companies outside of the Group), restructured its management organization to cope with the COVID-19 pandemic (including by taking full advantage of government subsidies and other resources), and promoted work style reforms. It allocated management resources to domestic travel operations, where it anticipated demand, and worked to improve earnings through initiatives that leveraged its global bases, such as unique online experiential tours, and by strengthening operations other than travel. Despite these efforts, net sales declined 88.0% year on year to 43,028 million yen, and the business posted an operating loss of 38,336 million yen (versus an operating loss of 21,127 million yen in the previous fiscal year).

## [Theme Park Business]

(Millions of yen)

	Year ended October 31, 2020	Year ended October 31, 2021
Net sales	14,113	15,126
Operating profit (loss)	(3,403)	(3,559)

In the consolidated fiscal year ended October 31, 2021, the number of theme park visitors increased temporarily due to the effects of the “Go To Travel” campaign, but the subsequent nationwide suspension of theme park operations and declarations and extensions of state of emergencies by the Japanese government once again produced challenging conditions for the Theme Park Business. All theme parks in the business proactively organized events while implementing measures to prevent infections, but operations were affected by the COVID-19 pandemic as the number of new cases increased across the country. As a result, the number of visitors to Huis Ten Bosch in the fiscal year under review declined 7.8% year on year to 1,277,000, net sales increased 7.2% to 15,126 million yen, and the business posted an operating loss of 3,559 million yen (versus an operating loss of 3,403 million yen in the previous fiscal year).

## [Hotel Business]

(Millions of yen)

	Year ended October 31, 2020	Year ended October 31, 2021
Net sales	7,952	4,757
Operating profit (loss)	(3,481)	(5,868)
EBITDA	(227)	(2,557)

In the consolidated fiscal year ended October 31, 2021, the Company mainly focused on its Henn na Hotel chain in the Hotel Business, opening three such hotels in Nara, Ishikawa, and Miyagi prefectures. It also engaged in new development of hotels that embody regional characteristics, resulting in a diverse lineup that included Resort Hotel Kume Island (the first hotel in Japan for which the Company acquired property and succeeded existing hotel operations), Watermark Hotel Kyoto, Hotel VISON and Hatago VISON (established within the premise of VISON in Mie Prefecture, one of Japan’s largest shopping, hotel, and leisure facilities), and Mantenno Tsujinoya (the first Japanese inn of the Japanese inn regeneration project). However, domestic operations were affected by the COVID-19 pandemic, and overseas hotels were hit hard by pandemic-related measures such as continued restrictions on emigration/immigration and travel, which drove a decline in the number of guests. As a result, net sales declined 40.2% year on year to 4,757 million yen, and the business posted an operating loss of 5,868 million yen (versus an operating loss of 3,481 million yen in the previous fiscal year). EBITDA was also negative at -2,557 million yen (versus -227 million yen in the previous fiscal year).



[Kyushu Sanko Group]

(Millions of yen)

	Year ended October 31, 2020	Year ended October 31, 2021
Net sales	19,177	16,362
Operating profit (loss)	(2,132)	(2,712)

In the consolidated fiscal year ended October 31, 2021, the Kyushu Sanko Group saw a limited recovery in demand aided in part by temporary effects from the “Go To Travel” campaign and a relaxation of restrictions on going out. However, due to the quasi-emergency measures requested by the Japanese government and Kumamoto Prefecture setting its own infection risk level at the highest level, the bus business was forced to suspend operations or scale back service on some routes, while the restaurant and product sales business had to shorten business hours or temporarily suspend operations. At the same time, the number of customers at the large-scale commercial facility SAKURA MACHI Kumamoto dropped, so the COVID-19 pandemic continued to have an impact. As a result, net sales declined 14.7% year on year to 16,362 million yen, and the business posted an operating loss of 2,712 million yen (versus an operating loss of 2,132 million yen in the previous fiscal year).

[Energy Business]

(Millions of yen)

	Year ended October 31, 2020	Year ended October 31, 2021
Net sales	26,393	37,351
Operating profit(loss)	163	(10,264)

In the consolidated fiscal year ended October 31, 2021, the Energy Business benefited from efforts to expand new pricing plans and services and raise the number of contracts in the retail electricity sales business, as well as from firm supply volume. However, the business was dealt an extremely heavy blow by soaring wholesale electricity prices. In addition, in the electricity generation business, operating rates had to be adjusted due to lingering impact from soaring prices of fuels for biomass-fueled power plants.

As a result, net sales increased 41.5% year on year to 37,351 million yen, but the business posted an operating loss of 10,264 million yen (versus operating profit of 163 million yen in the previous fiscal year).

## (2) Cash Flows

The amount of cash and cash equivalents (hereinafter, “funds”) at the end of the consolidated fiscal year ended October 31, 2021 was 88,079 million yen, an increase of 7,633 million yen compared to the end of the previous fiscal year. Operating activities decreased funds by 28,397 million yen, investing activities decreased funds by 7,095 million yen, and financing activities increased funds by 40,711 million yen.

The status of each cash flow item is presented in detail below.

### [Cash flows from operating activities]

Funds from operating activities saw a decrease of 28,397 million yen in the fiscal year under review. This mainly reflected a decrease in funds from the booking of a loss before income taxes (51,008 million yen), a decline in other liabilities including deposits (1,951 million yen), and an increase in travel advance payments (1,119 million yen), and an increase in funds from depreciation (12,593 million yen) as a non-cash item, a decrease in other assets including accounts receivable - other (8,483 million yen), and an increase in trade payables (3,673 million yen).

In the previous fiscal year, funds saw a decrease of 57,718 million yen. This mainly reflected the booking of a loss before income taxes (33,101 million yen), a decrease in travel advances received (77,912 million yen), and a decrease in travel advance payments (44,113 million yen).

As a result, in the fiscal year under review, cash flows from operating activities increased 29,320 million yen compared to the previous fiscal year.

### [Cash flows from investing activities]

Funds from investing activities saw a decrease of 7,095 million yen in the fiscal year under review. This mainly reflected a decrease in funds from purchase of property, plant and equipment and intangible assets (16,567 million yen) and payments into time deposits (15,606 million yen), and an increase in funds from proceeds from withdrawal of time deposits (17,810 million yen) and proceeds from sale of property, plant and equipment and intangible assets (8,515 million yen).

In the previous fiscal year, funds saw a decrease of 47,901 million yen. This was mainly due to purchase of property, plant and equipment and intangible assets (66,565 million yen), payments into time deposits (18,941 million yen), and proceeds from withdrawal of time deposits (30,214 million yen).

As a result, in the fiscal year under review, cash flows from investing activities increased 40,805 million yen compared to the previous fiscal year.

### [Cash flows from financing activities]

Funds from financing activities saw an increase of 40,711 million yen in the fiscal year under review. This mainly reflected an increase in funds from proceeds from long- and short-term borrowings (112,283 million yen), proceeds from issuance of shares (11,994 million yen), and a decrease in funds from repayments of long- and short-term borrowings (73,163 million yen) and redemption of bonds (10,000 million yen).

In the previous fiscal year, funds saw a decrease of 5,602 million yen. This mainly reflected repayments of long- and short-term borrowings (86,777 million yen), dividends paid (1,900 million yen), proceeds from long- and short-term borrowings (75,126 million yen), and proceeds from issuance of shares (7,728 million yen).

As result, in the fiscal year under review, cash flows from financing activities increased 46,313 million yen compared to the previous fiscal year.

### (3) Production, Orders Received, and Sales

#### 1) Purchasing

Purchasing by segment during the consolidated fiscal year ended October 31, 2021 is as follows.

Segment	Year ended October 31, 2021 [November 1, 2020 to October 31, 2021] (millions of yen)	Versus previous fiscal year (%)
Travel Business	33,031	10.7
Theme Park Business	3,041	109.2
Hotel Business	2,636	77.8
Kyushu Sanko Group	17,566	89.2
Energy Business	43,487	192.3
Reportable segment total	99,764	27.8
Other	2,415	121.4
Total	102,179	28.4

(Notes)

1. Intersegment transactions have been eliminated.
2. The businesses of the H.I.S. Group (H.I.S. Co., Ltd. and consolidated subsidiaries, hereinafter the same) are not operated based on production; as such, information on purchasing is stated in the place of production overview.
3. Figures do not include consumption taxes.

#### 2) Orders received

Information on orders received has been omitted as the H.I.S. Group's businesses are not operated based on orders received.

#### 3) Sales

Sales by segment during the consolidated fiscal year ended October 31, 2021 are as follows.

Segment	Year ended October 31, 2021 [November 1, 2020 to October 31, 2021] (millions of yen)	Versus previous fiscal year (%)
Travel Business	42,918	12.0
Theme Park Business	14,593	107.8
Hotel Business	4,494	60.6
Kyushu Sanko Group	16,358	85.3
Energy Business	37,233	141.7
Reportable segment total	115,598	27.2
Other	2,965	59.6
Total	118,563	27.6

(Notes)

1. Intersegment transactions have been eliminated.
2. The H.I.S. Group calculates total transaction value (selling price) as net sales.
3. Figures do not include consumption taxes.

#### (4) Analyses of Financial Position, Operating Results, and Cash Flows

Analysis of financial position, operating results, and cash flows during the consolidated fiscal year ended October 31, 2021 are as follows. All matters relating to the future in the sections below are based on the current views of the Group as of the end of the fiscal year under review.

##### 1) Analysis of financial position

###### (i) Current assets

The balance of current assets at the end of the fiscal year under review was 143,495 million yen, an increase of 4,271 million yen from the end of the previous fiscal year.

This was mainly due to increases in cash and deposits (up 6,177 million yen from the end of the previous fiscal year) and short-term loans receivable (up 3,132 million yen), and a decline in accounts receivable - other (down 4,402 million yen).

###### (ii) Non-current assets

The balance of non-current assets at the end of the fiscal year under review was 267,662 million yen, a decrease of 7,291 million yen from the end of the previous fiscal year.

This mainly reflected an increase in guarantee deposits (up 11,380 million yen from the end of the previous fiscal year), and declines in investment securities (down 4,877 million yen), long-term loans receivable (down 3,234 million yen), and deferred tax assets (down 1,851 million yen).

###### (iii) Current liabilities

The balance of current liabilities at the end of the fiscal year under review was 87,254 million yen, a decrease of 3,579 million yen from the end of the previous fiscal year.

This was mainly due to a decline in current portion of bonds payable (down 10,000 million yen from the end of the previous fiscal year), and increases in trade accounts payable (up 3,949 million yen) and current portion of long-term borrowings (up 2,867 million yen).

###### (iv) Non-current liabilities

The balance of non-current liabilities at the end of the fiscal year under review was 260,047 million yen, an increase of 34,698 million yen from the end of the previous fiscal year.

This was mainly due to an increase in long-term borrowings (up 35,037 million yen from the end of the previous fiscal year).

###### (v) Net assets

The balance of net assets at the end of the fiscal year under review was 64,145 million yen, a decrease of 34,275 million yen from the end of the previous fiscal year.

This mainly reflected a decrease in retained earnings resulting from the booking of a loss attributable to owners of parent (down 49,947 million yen from the end of the previous fiscal year), and increases in share capital and capital surplus from the exercise of share acquisition rights, etc. (up 11,926 million yen) and foreign currency translation adjustment (up 4,298 million yen).

##### 2) Analysis of operating results

###### (i) Net sales

In the consolidated fiscal year ended October 31, 2021, net sales were 118,563 million yen, a decrease of 311,720 million yen (down 72.4%) from the previous fiscal year. By reportable segment, Travel Business net sales were 43,028 million yen (down 88.0%), Theme Park Business net sales were 15,126 million yen (up 7.2%), Hotel Business net sales were 4,757 million yen (down 40.2%), Kyushu Sanko Group net sales were 16,362 million yen (down 14.7%), and Energy Business net sales were 37,351 million yen (up 41.5%).

Figures in each segment reflect the amounts before offsetting and eliminating intersegment transactions.

###### (ii) Operating expenses

Operating expenses in the fiscal year under review were 182,622 million yen, a decrease of 278,791 million yen (down 60.4%) from the previous fiscal year.

Within operating expenses, cost of sales was 102,179 million yen, a decrease of 258,207 million yen (down 71.6%) from the previous fiscal year.

Selling, general and administrative expenses were 80,442 million yen, a decrease of 20,583 million yen (down 20.4%) from the previous fiscal year. The ratio of selling, general and administrative expenses to net sales rose 44.4 percentage points compared to the previous fiscal year, to 67.8%.

###### (iii) Operating loss

The Company reported an operating loss of 64,058 million yen in the fiscal year under review (versus an operating loss of 31,129 million yen in the previous fiscal year). The loss widened by 32,929 million yen from the previous fiscal year.

(iv) Ordinary loss

The Company reported an ordinary loss of 63,299 million yen in the fiscal year under review (versus an ordinary loss of 31,283 million yen in the previous fiscal year). The loss expanded by 32,015 million yen from the previous fiscal year.

Main non-operating income included foreign exchange gains (1,134 million yen) and subsidy income (826 million yen), and non-operating expenses included interest expenses (1,175 million yen).

(v) Loss attributable to owners of parent

The Company reported a loss before income taxes of 51,008 million yen in the fiscal year under review (versus a loss before income taxes of 33,101 million yen in the previous fiscal year). The loss widened by 17,906 million yen from the previous fiscal year.

Total income taxes in the fiscal year under review were 2,234 million yen (versus -3,457 million yen in the previous fiscal year), an increase of 5,692 million yen from the previous fiscal year.

As a result, the Company reported a loss attributable to owners of parent of 50,050 million yen in the fiscal year under review (versus a loss attributable to owners of parent of 25,037 million yen in the previous fiscal year). The loss expanded by 25,012 million yen from the previous fiscal year.

3) Analysis of cash flows and capital resources and liquidity of funds

For an analysis of cash flows, see the “(2) Cash Flows” section in “3. Analyses of Financial Position, Business Results, and Cash Flows; II. Business Overview; Part I Information on the Company.”

The H.I.S. Group mainly needs funding for working capital and capital expenditures. It secures funding for working capital through loans from financial institutions, and for capital expenditures through a combination of loans from financial institutions, the issuance of bonds and convertible bond-type bonds with share acquisition rights, and capital increases.

4) Significant accounting estimates and underlying assumptions

The consolidated financial statements of the Group are prepared in conformity with accounting standards that are generally accepted in Japan. In preparing the consolidated financial statements, estimates have been made in the calculation of allowance for doubtful accounts, provision for bonuses, and retirement benefit liability, etc. These estimates are rationally determined in consideration of past results; however, because of uncertainties inherent in estimates, they may differ from the actual results. For more information, see the “Significant matters that serve as the basis for preparation of the consolidated financial statements” section of “Notes” under “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc., V. Financial Information.”

For more information on the assumptions underlying significant accounting estimates in relation to the COVID-19 pandemic, see the “Significant accounting estimates” section of “Notes” under “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc., V. Financial Information.”

4. Material Business Agreements, etc.

The Company received approval to become a certified International Air Transport Association (IATA) passenger sales agent on December 31, 1990 (effective until cancellation of approval), and has entered into a passenger sales agency agreement.

(Note) About the International Air Transport Association (IATA)

Founded in 1945, this private institution is an affiliation mainly of airlines engaged in international flights. Headquarters are in Montreal, Canada, and Geneva, Switzerland. Determination of various measures associated with IATA certified agents and settlement of accounts is done in Geneva. The authority of IATA comprises determination of fares, conditions on transport, agency measures, and other flight-related rules as well as fare settlements. An approval as a certified IATA sales agent allows travel agents to issue international flight tickets in-house.

5. Research and Development Activities

There are no applicable matters to report.

### III. Equipment and Facilities

#### 1. Capital Expenditures

In the Travel Business, the H.I.S. Group works to expand its sales network while saving labor and streamlining operations, and makes investments to improve profitability. In addition, the Group focuses on investments in the Theme Park Business, the Hotel Business, the Kyushu Sanko Group, and the Energy Business, which are expected to grow over the long term.

The breakdown of capital expenditures during the consolidated fiscal year ended October 31, 2021 (based on the amounts recorded as property, plant and equipment, guarantee deposits, hardware, and software; figures do not include consumption taxes, etc.) is as follows.

Segment	Capital expenditures (millions of yen)
Travel Business	1,827
Theme Park Business	1,411
Hotel Business	9,831
Kyushu Sanko Group	1,024
Energy Business	1,979
Reportable segment total	16,074
Other	331
Corporate-wide (shared)	91
Total	16,497

Amounts and purposes of major investments included in the above are as follows.

Travel Business:	Relocation and renovation of branches and offices (488 million yen), and development and improvement of travel reservation systems (1,318 million yen), etc.
Theme Park Business:	Investment related to theme park facilities at Huis Ten Bosch Co., Ltd. (1,001 million yen), etc.
Hotel Business:	Construction of Hotel VISON and Hatago VISON within the premise of VISON, a shopping, hotel, and leisure facility in Mie Prefecture by Aqua Ignis Taki Hotel Asset K.K. (4,958 million yen), etc.
Kyushu Sanko Group:	Investment related to Aso Sanjo Terminal (368 million yen), etc.
Energy Business:	Investment related to power generation facilities at H.I.S. SUPER Power Co., Ltd. (1,902 million yen), etc.
Other:	Development and improvement of systems at H.S. Insurance Co., Ltd. and SYS Inc. (230 million yen), etc.
Corporate-wide (shared):	Investment in new businesses such as the restaurant business and the development of a hometown tax comparison website.

## 2. Principal Facilities

The Group's principal facilities are as follows.

### (1) The Filing Company

Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings	Tools, furniture and fixtures	Land (thousand m <sup>2</sup> )	Leased assets	Construction in progress	Guarantee deposits	Other	Total	
Headquarters and offices (Minato-ku, Tokyo, etc.)	Travel Business	Branch facilities; reservation systems	1,238	262	— (—)	9	—	1,799	1,643	4,953	3,724 (523)
Headquarters (Minato-ku, Tokyo)	Other	Real estate	2,220	—	4,341 (5)	—	—	—	—	6,561	— (—)
Headquarters (Minato-ku, Tokyo)	Corporate- wide (shared)	Office facilities; software	8,588	74	24,445 (1)	4	11	14	70	33,209	290 (21)

(Notes)

1. Of the book value, "Other" comprises vehicles, works of art, and software, etc. Figures do not include consumption taxes, etc.
2. The number of temporary employees stated in parentheses refer to the annual average number of temporary workers, which is not included in the number of employees.
3. Of leased facilities, leasing fees incurred during the fiscal year under review was 2,524 million yen.

### (2) Domestic subsidiaries

Company name Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings	Tools, furniture and fixtures	Land (thousand m <sup>2</sup> )	Leased assets	Construction in progress	Guarantee deposits	Other	Total	
Huis Ten Bosch Co., Ltd. (Sasebo, Nagasaki Prefecture)	Theme Park Business	Theme park facilities	4,636	7,587	323 (1,181)	—	166	7	4,912	17,635	903 (418)
H.I.S. Hotel Holdings Co., Ltd. (Minato-ku, Tokyo, etc.)	Hotel Business	Hotel facilities	23,954	592	20,347 (72)	—	678	863	125	46,562	231 (23)
Aqua Ignis Taki Hotel Asset K.K. (Takicho, Taki, Mie Prefecture)	Hotel Business	Hotel facilities	6,333	142	— (—)	536	—	—	10	7,022	— (—)
Kyushu Sanko Bus Co., Ltd. (Nishi- ku, Kumamoto, Kumamoto Prefecture)	Kyushu Sanko Group	Business facilities, etc.	760	71	7,279 (121)	1,687	72	7	42	9,922	504 (57)
Kyushu Sanko Landmark Co., Ltd. (Chuo-ku, Kumamoto, Kumamoto Prefecture)	Kyushu Sanko Group	Business facilities, etc.	21,141	387	13,257 (17)	—	0	—	2	34,787	12 (3)
H.I.S. SUPER Power Co., Ltd. (Minato-ku, Tokyo)	Energy Business	Power facilities	6,798	13	— (—)	—	—	—	0	6,812	24 (—)

(Notes)

1. Of the book value, "Other" comprises vehicles, vessels, machinery, equipment, structures, and software, etc. Figures do not include consumption taxes, etc.
2. The number of temporary employees stated in parentheses refer to the annual average number of temporary workers, which is not included in the number of employees.
3. Of leased facilities, leasing fees incurred by domestic subsidiaries during the fiscal year under review was 2,231 million yen.
4. Facility names of domestic subsidiaries are consistent with company names.

### (3) Overseas subsidiaries

Company name Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings	Tools, furniture and fixtures	Land (thousand m <sup>2</sup> )	Leased assets	Construction in progress	Guarantee deposits	Other	Total	
HHH.U.S.A. INC. (New York City, New York, U.S.A.)	Hotel Business	Hotel facilities	—	—	2,244 (0)	—	4,020	—	—	6,264	4 (—)
HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI (Istanbul, Turkey)	Hotel Business	Hotel facilities	—	0	396 (47)	—	5,116	—	—	5,513	2 (4)
Green World Hotels Co., Ltd. (Taipei, Taiwan)	Hotel Business	Hotel facilities	2,429	168	423 (0)	10,018	0	567	543	14,150	226 (9)

(Notes)

1. Of the book value, “Other” comprises machinery, equipment, and software, etc. Figures do not include consumption taxes, etc.
2. The number of temporary employees stated in parentheses refer to the annual average number of temporary workers, which is not included in the number of employees.
3. Of leased facilities, leasing fees incurred by overseas subsidiaries during the fiscal year under review was 1,506 million yen.
4. Facility names of overseas subsidiaries are consistent with company names.

### 3. Plan for Additions and Disposals of Facilities

The plan for addition of a major facility as of the end of the fiscal year ended October 31, 2021 is listed below. Figures do not include consumption taxes, etc.

Company name Facility name	Segment	Facility details	Planned investment amount		Scheduled commencement/completion		Increased capacity after completion
			Total amount (millions of yen)	Amount already paid (millions of yen)	Commencement	Completion	
H.I.S. Hotel Holdings Co., Ltd.	Hotel Business	Hotel facilities, etc.	7,576	3,376	February 2020	December 2022	250 guest rooms



## IV. Information on the Company

### 1. Information on the Company's Shares

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued
Common stock	150,000,000
Total	150,000,000

2) Number of shares issued

Class	Number of shares issued as of end of fiscal year (October 31, 2021)	Number of shares issued as of filing date (January 28, 2022)	Stock exchange on which the Company is listed	Description
Common stock	75,969,236	79,860,936	First Section of the Tokyo Stock Exchange	Standard Company shares with no restricted rights; 100 shares constitute one unit.
Total	75,969,236	79,860,936	—	—

(Note) The number of shares issued as of filing date does not include the number of shares issued through the exercise of share acquisition rights from January 1, 2022 until the filing date for this Annual Securities Report.

(2) Information on share acquisition rights, etc.

1) Details of stock option program

Share acquisition rights issued under the provisions of Articles 236, 238, and 240 of the Companies Act for the purpose of granting stock options to Directors and employees of the Company and its subsidiaries are presented below.

Third Series of Share Acquisition Rights

Resolution date	January 29, 2020
Category and number of grantees	Directors of the Company: 5 Employees of the Company: 1,541 Directors of subsidiaries: 44 Employees of subsidiaries: 200
Number of share acquisition rights (*)	9,005 units
Class, content, and number of shares subject to share acquisition rights (*)	Common shares, 900,500 (Notes 1, 2)
Amount payable on the exercise of share acquisition rights (*)	1,387 yen (Note 3)
Exercise period of share acquisition rights (*)	From April 1, 2023 to March 31, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (*)	Issue price: 1,678 yen Additional paid-in capital per share: 839 yen
Conditions for exercise of share acquisition rights (*)	(Note 4)
Matters regarding transfer of share acquisition rights (*)	Approval of the Company's Board of Directors is required for the acquisition of any share acquisition rights by means of transfer.
Matters regarding grant of share acquisition rights accompanying corporate reorganization (*)	(Note 5)

(\*) The information above is as of the end of the fiscal year under review (October 31, 2021). The information as of the end of the month preceding the filing date (December 31, 2021) has been omitted as it had not changed from the end of the fiscal year under review.

(Notes)

1. The number of shares to be granted upon exercise of each share acquisition right (hereinafter, "Number of Shares to be Granted") shall be 100 shares.

2. If the Company implements a stock split (including gratis allotment of shares of common stock; items pertaining to stock split shall also apply to gratis allotment hereinafter) or stock consolidation with respect to common stock of the Company after the date of allotment of the share acquisition rights, the Number of Shares to be Granted with respect to the share acquisition rights not exercised at that time will be adjusted in accordance with the following formula.

$$\text{Number of Shares to be Granted post-adjustment} = \text{Number of Shares to be Granted pre-adjustment} \times \text{Stock split or consolidation ratio}$$

In addition, in the event an adjustment of the Number of Shares to be Granted is required for unavoidable reasons, the Number of Shares to be Granted may be adjusted to the extent necessary, subject to a Board of Directors resolution.

Any fractions of less than one share resulting from the adjustment shall be rounded down.

3. If the Company implements a stock split or stock consolidation with respect to its common stock, the amount payable on the exercise of share acquisition rights (hereinafter, "exercise price") shall be adjusted in accordance with the following formula, and any fractions of less than one yen resulting from the adjustment shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Stock split/consolidation ratio}}$$

In the event of new share issuance or treasury share disposals at less than market price (excluding share issuance, treasury share disposals, or transfers of treasury share by share exchange associated with the exercise of share acquisition rights), the exercise price shall be adjusted in accordance with the following formula, and any fractions of less than one yen resulting from the adjustment shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount payable per share}}{\text{Market price per share}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

The "number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of treasury shares owned by the Company. In the case of treasury share disposals, the "number of newly issued shares" in the above formula shall be taken to mean the "number of treasury shares disposed of," and the "amount payable per share" shall be taken to mean the "disposal value per share."

If the Company conducts a merger, or a demerger, or if other such situations occur, the Company reserves the right to adjust the exercise price within a necessary and reasonable range.

4. The exercise conditions of the share acquisition rights are as follows.
- (1) Persons granted an allotment of the share acquisition rights (hereinafter, "Rights Holders") must be Directors or employees of the Company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors in the case of resignations of Directors after their terms have expired, mandatory retirement for employees, transfers prompted by an administrative order, or based on other justifiable reasons.
  - (2) In the event of the death of a Rights Holder, rights may not be exercised by the corresponding heir.
  - (3) Other conditions are as stipulated in the share acquisition rights allotment agreement concluded between the Company and the Rights Holder.
5. In the event the Company engages in a merger (only if the Company is to be dissolved as a result of the merger), an absorption-type demerger or incorporation-type demerger (in each case, only if the Company is to be the demerged company), or share exchange or share transfer (in each case, only if the Company is to become a wholly owned subsidiary) (hereafter all of which are collectively referred to as "Reorganization"), then the Rights Holders of share acquisition rights remaining in effect (the "Remaining Share Acquisition Rights") immediately prior to the effective date of the Reorganization (hereinafter respectively referring to an effective date of absorption-type merger in case of an absorption-type merger, a date of incorporation of a company incorporated through a consolidation-type merger in case of a consolidation-type merger, an effective date of absorption-type demerger in case of an absorption-type demerger, a date of incorporation of a company incorporated through an incorporation-type demerger in case of an incorporation-type demerger, an effective date of a share exchange in case of a share exchange, or a date of incorporation of a wholly owning parent company incorporated through a share transfer) shall be granted share acquisition rights of the relevant stock company specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (such entity hereinafter referred to as the "Reorganized Company"). However, these share acquisition rights shall be granted only if provisions for issuing the share acquisition rights of the Reorganized Company in accordance with the following conditions are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type demerger agreement, an incorporation-type demerger plan, a share exchange agreement, or a share transfer plan.
- (1) Number of share acquisition rights of the Reorganized Company to be issued  
The number of share acquisition rights equal to the number of Remaining Share Acquisition Rights held by respective Rights Holders shall be issued.
  - (2) Class of shares of the Reorganized Company subject to share acquisition rights  
Common stock of the Reorganized Company
  - (3) Number of shares of the Reorganized Company subject to share acquisition rights  
The number shall be reasonably adjusted in consideration of the conditions of Reorganization, etc., and any fractions of less than one share resulting from the adjustment shall be rounded down.

- (4) Amount of assets to be contributed upon exercise of share acquisition rights  
The amount shall be reasonably adjusted in consideration of the conditions of Reorganization, etc., and any fractions of less than one yen resulting from the adjustment shall be rounded up.
- (5) Exercise period of share acquisition rights  
The exercise period of share acquisition rights shall be from the latter of the first day of the aforementioned “exercise period of share acquisition rights” or the effective date of the Reorganization, to the expiration date of the “exercise period of share acquisition rights.”
- (6) Increase in share capital and legal capital surplus in the case of issuing shares upon exercise of share acquisition rights  
Determined in accordance with aforementioned “share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights.”
- (7) Restrictions on acquisition of share acquisition rights through transfer  
The acquisition of share acquisition rights through transfer shall be subject to the approval of the Reorganized Company’s Board of Directors.
- (8) Conditions for the exercise of share acquisition rights  
Determined in accordance with aforementioned “Conditions for exercise of share acquisition rights.”
- (9) Matters concerning the acquisition of share acquisition rights  
Determined in accordance with the following “Conditions for acquisition of own share acquisition rights and reason for acquisition.”
- Conditions for acquisition of own share acquisition rights and reason for acquisition
- If the Rights Holder, prior to exercising his/her share acquisition rights, loses the eligibility to exercise such rights pursuant to the provisions prescribed in the above “Conditions for exercise of share acquisition rights,” the Company reserves the right to acquire subject share acquisition rights gratis on a date separately determined by its Board of Directors.
  - In the event proposals a, b, or c below are approved at the Company’s General Meeting of Shareholders (in the event a General Meeting of Shareholders resolution is unnecessary, approval by the Board of Directors), the Company may acquire share acquisition rights gratis on a date separately determined by its Board of Directors.
    - a: Proposal for approval of a merger agreement causing the Company to be dissolved
    - b: Proposal for approval of a demerger agreement or demerger plan resulting in the Company becoming the demerged company
    - c: Proposal for approval of a share exchange agreement or stock transfer plan in which the Company becomes a wholly owned subsidiary

2) Details of rights plans

There are no applicable matters to report.

3) Status of other share acquisition rights, etc.

Euro-Yen Denominated Convertible Bond-Type Bonds with Share Acquisition Rights due 2024

Resolution date	October 31, 2017
Number of share acquisition rights (*)	2,500 units
Of which, number of share acquisition rights held by the Company (*)	—
Class, content, and number of shares subject to share acquisition rights (*)	Common shares, 4,461,099 [4,574,398] (Note 1)
Amount payable on the exercise of share acquisition rights (*)	5,604 yen [5,465.2 yen] (Note 2)
Exercise period of share acquisition rights (*)	From November 30, 2017 to November 1, 2024 (local time for reception of exercise request) (Note 3)
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (*)	Issue price: 5,604 yen [5,465.2 yen] Additional paid-in capital per share: 2,802 yen [2,733 yen] (Note 4)
Conditions for exercise of share acquisition rights (*)	(Note 5)
Matters regarding transfer of share acquisition rights (*)	Subject share acquisition rights are attached to convertible bond-type bonds with share acquisition rights and cannot be transferred separately.
Matters regarding grant of share acquisition rights accompanying corporate reorganization (*)	(Note 6)
Description and value of assets contributed upon exercise of share acquisition rights (*)	(Note 7)
Balance of bonds with share acquisition rights (*)	25,000 million yen

(\*) The information above is as of the end of the fiscal year under review (October 31, 2021). If items have changed during the period from the end of the fiscal year under review to the end of the month preceding the filing date (December 31, 2021), the information as of the end of the month preceding the filing date is provided in square brackets. For other items, the information has not changed from the end of the fiscal year under review.

(Notes)

- The number of shares of the Company's common stock to be delivered upon exercise of the share acquisition rights shall be the total of the par value of the bonds pertaining to the exercise request divided by the conversion price as described in (Note 2) below. However, any fractions of less than one share resulting from the exercise shall be rounded down and no adjustment by cash shall be made.
- (1) Initially, the conversion price will be 5,616 yen.  
(2) Regarding the conversion price, following the issuance of bonds with share acquisition rights, in the event the Company issues or disposes of shares of its common stock at a payment amount below the market price of the Company's common stock, the conversion price will be adjusted according to the formula below. In the formula below, the "number of shares already issued" means the total number of outstanding common shares of the Company (excluding those owned by the Company).

$$\text{Post-adjustment conversion price} = \text{Pre-adjustment conversion price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of shares issued or disposed of} \times \text{Amount payable per share}}{\text{Market price}}}{\text{Number of shares already issued} + \text{Number of shares issued or disposed of}}$$

In addition, in the event the Company implements a stock split or stock consolidation of its common stock, issues share acquisition rights (including those attached to bonds with share acquisition rights) for which issuance of the Company's common stock can be requested at a payment amount below the market price of the Company's common stock, or pays dividends exceeding a certain limit, or upon occurrence of certain other events, the conversion price will be adjusted as appropriate.

3. The period during which share acquisition rights can be exercised shall be November 30, 2017 through November 1, 2024 (local time for reception of exercise request).

However, rights can be exercised (i) up to three business days before the redemption date in Tokyo in the event of early redemption due to a clean-up clause prescribed in the terms of subject bonds, changes in tax regulations, reorganization, delisting of shares, squeeze outs, etc. (this does not apply to share acquisition rights attached to bonds not selected for early redemption in the case of early redemption on changes in tax regulations as prescribed in the terms of subject bonds); (ii) until subject bonds are cancelled, in the event these bonds are purchased and cancelled; (iii) until the loss of the benefit of time, in the event subject bonds lose the benefit of time.

In all of the aforementioned situations, the exercise of subject share acquisition rights will not be possible after November 1, 2024 (local time for reception of exercise request).

Notwithstanding the above, in the event the Company reasonably determines it necessary not to permit the exercise of share acquisition rights in light of conducting a corporate reorganization, the exercise of subject share acquisition rights shall not be permitted during a period designated by the Company, the term of which shall be 30 days or less, and shall end within 14 days from the day following the effective date of the reorganization.

In addition, with regard to the period beginning two business days in Tokyo (or, in the event said date is not a business day in Tokyo, then three business days) preceding the record date determined by the Company, or preceding the date designated for confirmation of shareholders as per Article 151, paragraph (1) of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (hereinafter, "shareholder confirmation date") and ending on the said shareholder confirmation date (or, in the event the said shareholder confirmation date is not a business day in Tokyo, the next business day in Tokyo), in the event the date on which the exercise of subject share acquisition rights takes effect (or, in the event said date is not a business day in Tokyo, the next business day in Tokyo) falls within such period, the exercise of subject share acquisition rights will not be possible. However, in the event laws or practices related to the issuance of shares pertaining to the exercise of share acquisition rights through transfer systems based on the Act on Book-Entry Transfer of Company Bonds, Shares, etc. are amended, the limitation on the period during which the subject share acquisition rights can be exercised pursuant to this paragraph may be revised by the Company to reflect such changes.

4. The increase in share capital arising from the issuance of shares upon exercise of subject share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting; any fraction less than one yen arising therefrom shall be rounded up to the nearest one yen.

5. (1) Partial exercise of each share acquisition right is not possible.

(2) Until August 15, 2024 (inclusive), if the closing prices of the Company's common shares over the 20 consecutive Trading Days ending on the last Trading Day (defined below) of any particular quarter (referring to the three-month periods that make up a calendar year; same here below within this item (2)) are each more than 130% of the conversion price in effect on the last Trading Day of such quarter, the holders of subject bonds may exercise the share acquisition rights on or after the first day of the immediately following quarter until the end of such quarter (or, in the case of the quarter starting from July 1, 2024, until August 15, 2024); provided, however, that the conditions for exercise of the share acquisition rights specified in this item (2) shall not apply to the periods set forth in 1), 2), and 3) below.

1) (i) periods during which the Company is assigned an issuer rating of BB+ or lower by the Japan Credit Rating Agency or its successors (hereinafter, "JCR"), (ii) periods during which the Company is no longer assigned an issuer rating by JCR, or (iii) periods during which the Company's issuer rating by JCR has been suspended or withdrawn.

2) Period starting from the date on which the company announces an early redemption due to a clean-up clause prescribed in the terms of subject bonds, changes in tax regulations, reorganization, delisting of shares, squeeze outs, etc. (this does not apply to share acquisition rights attached to bonds not selected for early redemption in the case of early redemption on changes in tax regulations as prescribed in the terms of subject bonds).

3) In the case of a reorganization, unless the exercise of the share acquisition rights is suspended by the Company as outlined in (Note 3) above, the period from the date on which the Company announces the reorganization to the holders of the subject bonds prescribed in the terms of subject bonds to the effective date of the reorganization. "Trading Day" means a day on which the Tokyo Stock Exchange, Inc. is open for business, but does not include days on which no closing price for shares is reported.

6. (1) In the event of corporate reorganization, the Company shall make the best effort to have the Succeeding Company (defined below) assume the position of the principal debtor of subject bonds based on the terms of the subject bonds, and issue new share acquisition rights in lieu of these share acquisition rights. However, succession and issuance will be executed based on the assumption that (i) it can be conducted based on applicable laws at the time of execution, (ii) a mechanism for execution has already been created or can be created, and (iii) the Company or Succeeding Company will not bear unreasonable (determined by the Company) costs (including taxes) from the perspective of overall reorganization. In such a case, the Company shall make the best effort to ensure that the Succeeding Company is a listed company in Japan at the effective date of the reorganization. The Company's effort obligations as described in (1) is not applicable when the Company delivers to its financial agent a certificate prescribed in the clause pertaining to early redemption resulting from reorganization.

"Succeeding Company" refers to the other party in corporate reorganization, which undertakes the obligations of the Company concerning subject bonds and/or subject share acquisition rights.

- (2) The details of the Succeeding Company's share acquisition rights that are to be issued pursuant to the above provisions in (Note 6 (1)) are as follows.
- 1) Number of share acquisition rights  
A number equal to the number of share acquisition rights attached to subject bonds that are outstanding as of the timing immediately before the effective date of reorganization.
  - 2) Class of shares subject to share acquisition rights  
Common stock of the Succeeding Company
  - 3) Number of shares subject to share acquisition rights  
The number of shares of the Succeeding Company's common stock delivered upon exercise of such company's share acquisition rights shall be determined by the Succeeding Company, taking into consideration the conditions of the reorganization. In addition to making decisions by referring to the terms of subject bonds, (i) or (ii) below shall be followed. The conversion price shall be subject to the same adjustment as in (Note 2 (2)) above.
    - (i) In the case of a merger, share exchange, or share transfer, the conversion price shall be determined so that the holder of the Company's common shares, the number of which amounting to the number of shares obtainable when subject share acquisition rights are exercised immediately before the effective date of reorganization, shall be able to receive the number of Succeeding Company's common shares the holder is eligible to receive from such reorganization by exercising the share acquisition rights immediately following the effective date of reorganization. If securities or other assets other than the common stock of the Succeeding Company are deliverable at the time of reorganization, the same number of shares of common stock of the Succeeding Company may be received as calculated by dividing the fair value of such securities or assets by the market price of the common stock of the Succeeding Company.
    - (ii) In the event of reorganization other than the above, the conversion price shall be determined so that the economic benefit received by exercising the Succeeding Company's share acquisition rights immediately after the effective date of reorganization will be equivalent to the economic benefit the holder of subject bonds would have received, had such holder exercised the subject share acquisition rights immediately prior to the effective date of such reorganization.
  - 4) Assets to be contributed upon exercise of share acquisition rights and their value  
Upon exercise of share acquisition rights of the Succeeding Company, the succeeded bonds shall be contributed; the value thereof shall be the same as the face value of the succeeded bonds.
  - 5) Exercise period of share acquisition rights of the Succeeding Company  
The exercise period of share acquisition rights of the Succeeding Company shall be from the effective date of the reorganization (or a specified date within 14 days after the effective date) until the expiration date of the exercise period of subject share acquisition rights as outlined in (Note 3) above.
  - 6) Other conditions for exercise of share acquisition rights  
Partial exercise of each share acquisition right of the Succeeding Company is not possible. The exercise of share acquisition rights of the Succeeding Company is subject to the same limitations described in (Note 5 (2)) above.
  - 7) Increase in share capital and legal capital surplus in the case of issuing shares upon exercise of share acquisition rights  
The increase in share capital arising from the issuance of shares upon exercise of share acquisition rights of the Succeeding Company shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting; any fraction less than one yen arising therefrom shall be rounded up to the nearest one yen. The increase in legal capital surplus shall be obtained by subtracting the amount of increase in share capital from such maximum amount by which share capital can be increased.
  - 8) In the event of corporate reorganization  
Even in the event the Succeeding Company undergoes reorganization, the same procedures as with the subject bonds shall apply.
  - 9) Other  
Any fractions of less than one share resulting from the exercise of share acquisition rights of the Succeeding Company shall be rounded down and no adjustment in cash shall be made. Share acquisition rights of the Succeeding Company cannot be transferred separately from the succeeded bonds.
- (3) In the event the Company has the Succeeding Company undertake or succeed the Company's obligations associated with subject bonds in accordance with the provisions of (Note 6 (1)) above, the Company shall abide by the terms of subject bonds and also bear a guarantee in certain cases specified in such terms.
7. Upon exercise of each share acquisition right, the bonds attached to the subject share acquisition rights shall be contributed, and the price of the bond shall be the same as the par value thereof.

Fourth Series of Share Acquisition Rights

Resolution date	October 2, 2020
Number of share acquisition rights (*)	87,003 units
Of which, number of share acquisition rights held by the Company (*)	—
Class, content, and number of shares subject to share acquisition rights (*)	Common shares, 8,700,300 (Note 1)
Amount payable on the exercise of share acquisition rights (*)	1,665.9 yen (Note 2)
Exercise period of share acquisition rights (*)	From October 20, 2020 to October 19, 2023
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (*)	Issue price: 1,680.09 yen Additional paid-in capital per share: 841 yen
Conditions for exercise of share acquisition rights (*)	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights (*)	Not applicable
Matters regarding grant of share acquisition rights accompanying corporate reorganization (*)	(Note 5)

(\*) The information above is as of the end of the fiscal year under review (October 31, 2021). The information as of the end of the month preceding the filing date (December 31, 2021) has been omitted as it had not changed from the end of the fiscal year under review.

(Notes)

1. The type and total number of shares subject to the share acquisition rights shall be 8,700,300 common shares of the Company (the number of shares to be issued per share acquisition right [the “Number of Allotted Shares”] shall be 100 common shares of the Company). However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.

(1) If an adjustment is made to the exercise price in accordance with the provisions in “Note 2. Adjustment of exercise price” below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the “Amount payable on the exercise of share acquisition rights” field.

$$\text{Number of Allotted Shares post-adjustment} = \frac{\text{Number of Allotted Shares pre-adjustment} \times \text{Pre-adjustment exercise price}}{\text{Post-adjustment exercise price}}$$

(2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of “Note 2. Adjustment of exercise price” concerning the adjustment reasons.

(3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the “Rights Holders”) in writing of such adjustment and the reason therefor, the Number of Allotted Shares pre-adjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) of “Note 2. Adjustment of exercise price” below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

2. Adjustment of exercise price

(1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the “Exercise Price Adjustment Formula;” the exercise price after adjustment shall be referred to as the “Post-Adjustment Exercise Price” and the share price before adjustment as the “Pre-Adjustment Exercise Price”).

$$\text{Post-Adjustment Exercise Price} = \text{Pre-Adjustment Exercise Price} \times \frac{\text{Number of common shares already issued} + \frac{\text{Number of common shares newly issued or disposed of} \times \text{Amount payable per share}}{\text{Market price}}}{\text{Number of common shares already issued} + \text{Number of common shares newly issued or disposed of}}$$

- (2) The adjustment of the exercise price using the Exercise Price Adjustment Formula and the timing at which the Post-Adjustment Exercise Price becomes applicable shall be subject to the following.
- 1) If the Company issues new common shares at a price lower than the market price specified in item (4) 2) below or disposes of treasury shares (including those by means of gratis allotment) (excluding the cases of [1] issuance of new common shares to Directors or employees of the Company or one of its subsidiaries, or disposals of treasury shares by the Company, based on the restricted stock compensation scheme introduced by the Company; or [2] acquisition, conversion, or exercise of securities that have been acquired or are subject to demand for acquisition by the Company in exchange of allotment of the Company's common shares, share acquisition rights under which Rights Holders can demand the issuance of Company's common shares [including those attached to bonds with share acquisition rights] and other securities and rights; or [3] issuance of new common shares of the Company based on a resolution by the Board of Directors on October 2, 2020), the Post-Adjustment Exercise Price shall be applicable from the day following the pay-in date (the final day of the payment period, if such a period is set), or from the day following the record date, if there is such a day for granting shareholders a right to allotment relating to such issuance or disposal.
  - 2) If the Company issues common shares by means of a stock split or gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following the record date for the relevant stock split or gratis allotment (if no record date is set for a gratis allotment, the day on which the allotment becomes effective).
  - 3) If common shares are acquired from the Company at a payment price lower than the market price specified in Item 4 (ii) below as part of an exchange, if the Company issues securities (including through gratis allotment) that can request the Company to issue common shares at such a lower price, or if the Company issues share acquisition rights, bonds with share acquisition rights, or other securities or rights (including through gratis allotment) that can request the Company to issue common shares at such a lower price (excluding share acquisition rights issued as stock options to Directors and employees of the Company or one of its subsidiaries by a resolution of the Board of Directors), the Post-Adjustment Exercise Price shall be calculated using the Exercise Price Adjustment Formula on the assumption that the issued securities, share acquisition rights, or rights were all acquired at the initial acquisition price or exercised at the initial exercise price, and that the common shares of the Company were issued accordingly. The Post-Adjustment Exercise Price shall be applicable from the pay-in date for the securities or rights, or on and after the day following the allotment date of the share acquisition rights (including those attached to bonds with share acquisition rights). If there is a record date for share subscriptions or for gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following such date.
  - 4) If the Company issues common shares at a price lower than the market price specified in item (4) 2) below in exchange for shares subject to call or share acquisition rights subject to call (including those attached to bonds with shares acquisition rights) issued by the Company, the Post-Adjustment Exercise Price shall be applied from the day following the acquisition date.
  - 5) In each of the cases specified in 1) through 3) above, if a record date has been set and the entry into force is subject to approval of the General Meeting of Shareholders, the Board of Directors, or any other body of the Company on and after that record day, notwithstanding any of the cases specified in 1) through 3) above, the Post-Adjustment Exercise Price shall be applied on and after the day following the date when the approval is given. In this case, the Company shall issue common shares to the Rights Holders who request to exercise their share acquisition rights between the day following the record date and day of approval using the following calculation method.

$$\text{Number of shares} = \frac{(\text{Pre-Adjustment Exercise Price} - \text{Post-Adjustment Exercise Price}) \times \text{Number of shares issued during the period at Pre-Adjustment Exercise Price}}{\text{Post-Adjustment Exercise Price}}$$

Any fractions of less than one share resulting from the adjustment shall be rounded down.

- (3) If the difference between the Post-Adjustment Exercise Price calculated using the Exercise Price Adjustment Formula and the Pre-Adjustment Exercise Price is less than one yen, no adjustment shall be made to the exercise price. However, if any event occurs at a later date requiring an adjustment to the exercise price and therefore an adjustment is made to the exercise price, the Company shall use in place of the Pre-Adjustment Exercise Price used in the Exercise Price Adjustment Formula the amount that remains after deducting the above difference from the Pre-Adjustment Exercise Price.



- (4) 1) In using the Exercise Price Adjustment Formula, the Company shall calculate prices to their second decimal place and then round them down to the first decimal place.
- 2) The market price used in the Exercise Price Adjustment Formula shall be the simple average of the closing prices of the common shares of the Company on the Tokyo Stock Exchange during the 30 trading days (not including days on which no closing price is quoted) starting from the 45<sup>th</sup> trading day preceding the day when the Post-Adjustment Exercise Price is applied for the first time. In this case, the simple average price shall be calculated to the second decimal place and rounded down to the first decimal place.
- 3) The “number of common shares already issued” used in the Exercise Price Adjustment Formula shall be the total number of common shares issued as of the record date for granting shareholders the right to share allotment or, in the absence of any such record date, as of the day that is one month prior to the day when the Post-Adjustment Exercise Price is applied for the first time, less the number of common shares held by the Company as of such date. Further, in the case of item (2) 5) above, the “number of common shares newly issued or disposed of” used in the Exercise Price Adjustment Formula shall not include common shares that shall be allotted to the Company’s common shares held by the Company on the record date.
- (5) In cases other than the cases where an adjustment to the exercise price in accordance with item (2) above is required, the Company shall make necessary adjustments to the exercise price upon discussion with the Rights Holders in the following cases.
  - 1) If the exercise price is required to be adjusted because of a stock consolidation, capital decrease, company split, share exchange, or merger;
  - 2) If the exercise price is required to be adjusted because any other event or situation occurs that requires or may require a change to the number of common shares outstanding of the Company;
  - 3) If multiple events that require the exercise price to be adjusted occur successively, and it becomes necessary to consider the effect of another event to determine the market price that shall be used for calculating the Post-Adjustment Exercise Price due to one event.
- (6) If an adjustment is being made to the exercise price, the Company shall notify the Rights Holders in writing of such adjustment and the reason therefor, the Pre-Adjustment Exercise Price, the Post-Adjustment Exercise Price, and the first day when the Post-Adjustment Exercise Price becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) above or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.
3. Total share issue price for shares issued upon exercise of share acquisition rights  
14,617,287,027 yen  
(Note) The total share issue price may be less than the amount indicated above if the share acquisition rights are not exercised during the exercise period, or if they are acquired and cancelled by the Company.
4. Share issue price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights
  - (1) Issue price per share in the event of issuance of shares upon exercise of share acquisition rights  
The issue price per common share of the Company to be delivered upon exercise of the share acquisition rights shall be calculated by adding the total issue price for the share acquisition rights pertaining to the exercise request to the total amount of assets to be contributed upon exercise of each share acquisition right pertaining to the exercise request, and dividing that total by the number of shares subject to the share acquisition rights specified separately in the “Number of shares subject to share acquisition rights” field.
  - (2) Increases in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights  
The increase in share capital arising from the issuance of shares upon exercise of share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. (Any fractions of less than one yen resulting therefrom shall be rounded up to the nearest one yen.) The increase in legal capital surplus shall be the amount obtained by deducting the amount of share capital to be increased from the maximum amount of increase in share capital.
5. In the event the Company engages in an absorption-type merger in which the Company will be the dissolved company, in a consolidation-type merger in which the Company will be the demerged company, in an absorption-type company split in which the Company will be the company to be split, in an incorporation-type company split in which the Company will be the company to be split, in a share exchange in which the company will be the wholly owned subsidiary company, or in a share transfer in which the company will be the wholly owned subsidiary company (hereafter all of which are collectively referred to as the “Reorganization”), the new entity (company surviving the absorption-type merger, company incorporated in a consolidation-type merger, successor company in absorption-type split, company incorporated in incorporation-type split, wholly owning parent company resulting from share exchange, or wholly owning parent company incorporated in a share transfer; hereafter all of which are collectively referred to as the “Reorganized Company”) shall deliver new share acquisition rights to the Rights Holders in exchange for share acquisition rights remaining in effect immediately prior to the effective date of the Reorganization in accordance with the conditions below.

- (1) Number of share acquisition rights of the Reorganized Company to be newly issued  
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization based on the number of share acquisition rights owned by the Rights Holders. Any fractions of less than one right resulting therefrom shall be rounded down.
  - (2) Type of shares subject to share acquisition rights to be newly issued  
The same type of shares of the Reorganized Company.
  - (3) Calculation method of the number of shares subject to share acquisition rights to be newly issued  
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one share resulting therefrom shall be rounded down.
  - (4) Value of property invested for exercise of share acquisition rights to be newly issued  
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one yen resulting therefrom shall be rounded down.
  - (5) Exercise period, exercise conditions, and acquisition conditions for share acquisition rights to be newly issued, issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights
- (3) Information on moving strike convertible bonds, etc.  
There are no applicable matters to report.

## (4) Changes in the total number of issued shares, share capital, etc.

Date	Increase/ decrease in total number of issued shares (shares)	Balance of issued shares (shares)	Increase/decrease in share capital (millions of yen)	Balance of share capital (millions of yen)	Increase/ decrease in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
October 19, 2020 (Note 1)	5,246,000	73,768,936	4,000	15,000	4,000	7,661
October 30, 2020 (Note 2)	(5,000,000)	68,768,936	—	15,000	—	7,661
November 1, 2020– October 31, 2021 (Note 3)	7,200,300	75,969,236	6,048	21,048	6,048	13,709

## (Notes)

## 1. Capital increase through third-party allotment

Issue price: 1,525 yen

Additional paid-in capital: 762.5 yen

Allottee: Long Corridor Alpha Opportunities Master Fund  
MAP246 Segregated Portfolio

## 2. Decrease due to cancellation of treasury shares

## 3. Increase due to exercise of share acquisition rights

## 4. A third-party allotment of new shares with a payment date of November 22, 2021 increased the total number of issued shares by 1,140 thousand shares, and increased both share capital and legal capital surplus by 1,250 million yen.

Issue price: 2,192 yen

Additional paid-in capital: 1,096 yen

Allottee: Pacific Alliance Asia Opportunity Fund L.P.

## 5. A third-party allotment of new shares with a payment date of December 13, 2021 increased the total number of issued shares by 1,210 thousand shares, and increased both share capital and legal capital surplus by 1,250 million yen.

Issue price: 2,065 yen

Additional paid-in capital: 1,032.5 yen

Allottee: Pacific Alliance Asia Opportunity Fund L.P.

## 6. A third-party allotment of new shares with a payment date of December 28, 2021 increased the total number of issued shares by 1,540 thousand shares, and increased both share capital and legal capital surplus by 1,250 million yen.

Issue price: 1,623 yen

Additional paid-in capital: 811.5 yen

Allottee: Pacific Alliance Asia Opportunity Fund L.P.

## (5) Composition of issued shares by type of shareholders

As of October 31, 2021

Category	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non- individuals	Individuals			
Number of shareholders	—	27	42	375	181	584	61,517	62,726	—
Share ownership (units)	—	114,911	31,075	48,531	59,699	2,672	501,481	758,369	132,336
Ownership percentage of shares (%)	—	15.15	4.10	6.40	7.87	0.35	66.13	100.00	—

## (Notes)

1. Of the 5,922,098 treasury shares, 59,220 units are included in the “Individuals and others” column, while 98 shares are included in the “Number of shares less than one unit” column.

2. Of the shares registered in the name of Japan Securities Depository Center, Incorporated, 18 units are included in the “Other corporations” column and 40 shares are included in the “Number of shares less than one unit” column.

## (6) Major shareholders

As of October 31, 2021

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (excluding treasury shares) (%)
Hideo Sawada	Shibuya-ku, Tokyo	17,948	25.62
Custody Bank of Japan, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	6,410	9.15
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsucho, Minato-ku, Tokyo	4,943	7.06
Hide Inter Ltd.	1-7-26 Shoto, Shibuya-ku, Tokyo	3,757	5.36
STATE STREET BANK AND TRUST COMPANY (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	1,070	1.53
JPMBL RE J.P. MORGAN SECURITIES PLC COLL EQUITY (Standing proxy: MUFG Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP UNITED KINGDOM (2-7-1 Marunouchi, Chiyoda-ku, Tokyo)	1,003	1.43
H.I.S. Employee Stock Ownership Association	4-1-1 Toranomom, Minato-ku, Tokyo	922	1.32
Mayumi Sawada	Shibuya-ku, Tokyo	900	1.29
STATE STREET BANK AND TRUST COMPANY 505004 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	VICTRIA CROSS NORTH SYDNEY 2060 AUSTRALIA (2-15-1 Konan, Minato-ku, Tokyo)	781	1.12
SBI Securities Co., Ltd.	1-6-1 Roppongi, Minato-ku, Tokyo	731	1.04
Total	—	38,470	54.92

## (Notes)

- Of the shares owned by the above trust banks, the number of shares pertaining to trust services is as follows.
 

Custody Bank of Japan, Ltd.	6,410 thousand shares
The Master Trust Bank of Japan, Ltd.	4,943 thousand shares
- A Report of Possession of Large Volume (Change Report No. 1) as stipulated in Article 27-26, Paragraph (2)-(i) of the Financial Instruments and Exchange Act was submitted on September 7, 2021 (date reporting obligation arose: August 31, 2021) by Rheos Capital Works Inc. Although its holdings of 3,248 thousand shares (ownership ratio: 4.28%) have been made public through the Report, the Company could not confirm the actual number of shares held under the applicable company name, and has therefore not included the company in the "Major shareholders" above. The details of the Report of Possession of Large Volume are shown below.

Name of shareholder	Address or head office location	Share ownership (thousands of shares)	Holding ratio of share certificates, etc. (%)
Rheos Capital Works Inc.	1-11-1 Marunouchi, Chiyoda-ku, Tokyo	3,248	4.28

## (7) Information on voting rights

## 1) Issued shares

As of October 31, 2021

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	Common stock: 5,922,000	—	—
Shares with full voting rights (others)	Common stock: 69,914,900	699,149	—
Shares less than one unit	Common stock: 132,336	—	—
Total number of issued shares	75,969,236	—	—
Total number of voting rights held by all shareholders	—	699,149	—

(Note) “Shares with full voting right (others)” and “Shares less than one unit” above include 1,800 shares and 40 shares, respectively, held under the name of Japan Securities Depository Center, Inc. (JASDEC). The number of voting rights includes 18 voting rights from shares with full voting rights held under the name of this same institution.

## 2) Treasury shares

As of October 31, 2021

Shareholder	Shareholder address	Number of shares held under own name	Number of shares held under another name	Total number of shares held	Ownership percentage to the total number of issued shares (%)
H.I.S. Co., Ltd.	4-1-1 Toranomom, Minato-ku, Tokyo	5,922,000	—	5,922,000	7.80
Total	—	5,922,000	—	5,922,000	7.80

## 2. Information on Acquisition of Treasury Shares, etc.

[Class of shares] Acquisition of common stock under Article 155, Item 7 of the Companies Act

## (1) Acquisition by resolution at the General Meeting of Shareholders

There are no applicable matters to report.

## (2) Acquisition by resolution of the Board of Directors

There are no applicable matters to report.

## (3) Acquisition not based on resolutions at the General Meeting of Shareholders or of the Board of Directors

Classification	Number of shares (shares)	Total amount (millions of yen)
Treasury shares acquired during the fiscal year under review	31	0
Treasury shares acquired during the current period	—	—

(Note) Fractional shares less than one trading unit purchased between January 1, 2022 and the filing date of this Annual Securities Report are not included in the number of treasury shares acquired during the current period.

(4) Status of the disposition and holding of acquired treasury shares

Classification	Year ended October 31, 2021		Current period	
	Number of shares (shares)	Total amount disposed (millions of yen)	Number of shares (shares)	Total amount disposed (millions of yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were disposed of	—	—	—	—
Acquired treasury shares transferred due to merger, share exchange, or demerger	—	—	—	—
Others (disposal of treasury shares as restricted stock remuneration)	12,081	30	—	—
Total number of treasury shares held	5,922,098	—	5,922,098	—

(Notes)

1. Fractional shares less than one trading unit purchased between January 1, 2022 and the filing date of this Annual Securities Report are not included in the number of treasury shares held.
2. Company shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust in accordance with the introduction of a trust-type employee stock ownership incentive plan (E-Ship<sup>®</sup>) are not included in the number of treasury shares that were disposed of and the number of treasury shares held during the fiscal year under review and the current period. Further, the E-Ship<sup>®</sup> trust-type employee stock ownership incentive plan was discontinued in May 2021.

### 3. Dividend Policy

The Group recognizes the return of profits to shareholders as one of its important management policies. While seeking to improve its corporate value, the Group intends to carry out stable and continuous distribution of profits in accordance with actual results, taking global conditions, travel industry trends, the strengthening of its corporate structure, and future business development into consideration. The Group has an interim dividend system, but since the ratio of its sales and earnings tends to be comparatively larger in the second half of each fiscal year, it provides only a year-end dividend to ensure fair dividends with respect to financial performance.

The Company decided not to pay an annual dividend in the consolidated fiscal year ended October 31, 2021, as it believed it needed to urgently stabilize its financial condition while working to achieve a recovery in earnings.

The Company prescribes in its Articles of Incorporation that “except as otherwise provided by laws and regulations, matters concerning dividends of surplus listed under each item of Article 459, Paragraph 1 of the Companies Act, can be determined by a resolution of the Board of Directors.” However, this does not mean that the option of resolution at a General Meeting of Shareholders is eliminated.

#### 4. Corporate Governance, etc.

##### (1) Overview of corporate governance

###### Basic policy on corporate governance

Fully embracing its founding intention, the H.I.S. Group corporate philosophy, and the H.I.S. corporate philosophy, the Company seeks to achieve sustainable growth and enhance its corporate value over the medium to long term by providing products and services that are useful to the society. To realize this objective, the Company intends to make fair, transparent, quick, and decisive decisions with a sound awareness of the positions of its shareholders, customers, employees, business partners, and local communities; fulfill accountability; and become a company appreciated and trusted by society.

The Company understands corporate governance to be a “mechanism for fair, transparent, quick, and decisive decision-making in recognition of the position of the company’s shareholders, customers, employees, business partners, and local communities” as defined in the Corporate Governance Code formulated by the Tokyo Stock Exchange (hereinafter, “TSE CG Code”).

The 83 principles of the TSE CG Code are replete with major principles contributing to the realization of “proactive governance” as a best practice employing a principles-based approach. H.I.S. will work to fully understand the purpose and essence of each of these principles, and comply with them to the best of its ability, while taking into consideration the industry and scale of its businesses, the business environment and characteristics, and its own institutional design and conditions.

##### 1) Overview of corporate governance structure

The Company has adopted a corporate governance structure with an Audit & Supervisory Committee, and has set up an HR & Nomination Committee, a Remuneration Committee, an Investment Committee, and a Finance & Management Committee as advisory committees to its Board of Directors.

The Board of Directors comprises 10 Directors, including two External Directors, and is chaired by Representative Director, Chairman and President Hideo Sawada. Other members include Tatsuya Nakamori (Director), Masayuki Oda (Director), Motoshi Yada (Director), Atsushi Yamanobe (Director), Mutsumi Gomi (Director), Hidetaka Sawada (Director), Tsunekazu Umeda (Director and Audit & Supervisory Committee Member [External Director]), Atsushi Nabeshima (Director and Audit & Supervisory Committee Member [External Director]), and Sonoko Sekita (Director and Audit & Supervisory Committee Member). The Board of Directors makes decisions regarding matters provided by laws and regulations, basic operating policies, and important matters related to management, and oversees the execution of duties by its Directors and Corporate Officers. As a rule, it meets once a month.

The HR & Nomination Committee comprises six Directors, including two External Directors, and is chaired by Representative Director, Chairman and President Hideo Sawada. Other members include Tatsuya Nakamori (Director), Masayuki Oda (Director), Motoshi Yada (Director), Tsunekazu Umeda (Director and Audit & Supervisory Committee Member [External Director]), and Atsushi Nabeshima (Director and Audit & Supervisory Committee Member [External Director]). The committee appoints and dismisses Directors and Corporate Officers, and meets whenever the need arises.

The Remuneration Committee comprises six Directors, including two External Directors, and is chaired by Representative Director, Chairman and President Hideo Sawada. Other members include Tatsuya Nakamori (Director), Masayuki Oda (Director), Motoshi Yada (Director), Tsunekazu Umeda (Director and Audit & Supervisory Committee Member [External Director]), and Atsushi Nabeshima (Director and Audit & Supervisory Committee Member [External Director]). The committee makes decisions regarding individual remuneration for Directors, Corporate Officers, and Presidents of affiliated companies.

The Investment Committee comprises six Directors, including one External Director, and is chaired by Representative Director, Chairman and President Hideo Sawada. Other members include Tatsuya Nakamori (Director), Masayuki Oda (Director), Motoshi Yada (Director), Hidetaka Sawada (Director), and Tsunekazu Umeda (Director and Audit & Supervisory Committee Member [External Director]). The committee assists the Board of Directors with decisions regarding investment projects.

The Finance & Management Committee comprises six Directors, including one External Director, and is chaired by Representative Director, Chairman and President Hideo Sawada. Other members include Tatsuya Nakamori (Director), Masayuki Oda (Director), Motoshi Yada (Director), Tsunekazu Umeda (Director and Audit & Supervisory Committee Member [External Director]), and Sonoko Sekita (Director and Audit & Supervisory Committee Member). The committee assists the Board of Directors with decisions regarding procurement and management of material funds.

## 2) Reason for adoption of corporate governance structure

In consideration of the scale and nature of the Company and H.I.S. Group's businesses, the Company had in place a governance structure of a company with Corporate Auditors and Board of Corporate Auditors until the 35th fiscal year (ended October 31, 2015). The intent was to engage in fair, transparent, quick, and decisive decision-making regarding business management, and facilitate full accountability to the shareholders and other stakeholders.

The Corporate Auditors and Board of Corporate Auditors, in addition to conducting legality audits, conducted validity audits to the extent permitted by laws and regulations, and offered advice and recommendations at the Board of Directors meetings with respect to the execution of operational and professional duties by Directors. Factoring in such conditions, the Company reviewed the details pertaining to the Audit & Supervisory Committee structure created by the Law for Partial Amendment to the Companies Act (Act No. 90 of 2014, effective May 1, 2015), and determined that the latter structure was compatible with the actual circumstances of the Company and would help strengthen its corporate governance further, as the Company and Group pursued sustainable growth and enhancement of corporate value over the medium to long term.

Thus, the transition to a company with an Audit & Supervisory Committee was proposed at the 35th General Meeting of Shareholders held on January 27, 2016, and implemented by a resolution approved by the shareholders.

## 3) Other matters related to corporate governance

### (I) Internal control system and status (including systems for ensuring appropriateness of business operations within the corporate group consisting of the Company and the Group companies [subsidiaries and associates])

As a company with an Audit & Supervisory Committee based on Article 399, Paragraph 13, Section 2 of the Companies Act, the Company determines, as basic policies and via resolution of the Board of Directors, those items required for the Audit & Supervisory Committee to execute its duties. It also determines those items necessary for systemic improvements that ensure appropriateness of business operations within the corporate group consisting of the Company and the Group companies. Such items include:

- 1) System for ensuring that Directors and employees conduct their duties in compliance with laws, regulations, and the Company's Articles of Incorporation
- 2) Rules and system for managing risk of loss to the Company and the Group companies
- 3) System for ensuring that duties of Directors are being conducted efficiently
- 4) System for ensuring preservation and management of information in relation to Directors' execution of duties
- 5) System for ensuring appropriateness of business operations within the corporate group consisting of the Company and the Group companies
- 6) System for ensuring reliability of financial reporting
- 7) Items required for the Audit & Supervisory Committee to execute its duties (system for ensuring that audits by the Audit & Supervisory Committee are conducted effectively, etc.)

The Company has maintained and operated its internal control system in line with the above basic policies; related efforts are as follows:

- 1) To ensure thorough ethical compliance, the Company has formulated the H.I.S. policy, the H.I.S. Group corporate philosophy, the H.I.S. corporate philosophy, the H.I.S. Charter of Corporate Behavior, and other guidelines, and made these available through its website, intranet, and other channels as a reference for its officers and employees.
- 2) The "Refresh Hotline," an internal report window operated by outside experts: details of employee consultations are delivered anonymously to the Company with accompanying expert opinions based on consultation details. Acting as an intermediary between employees and the Company, this service functions as the Company's self-correcting system in terms of corporate ethics and compliance violations.
- 3) The Board of Directors makes important business execution decisions via Board resolution and in accordance with laws and regulations, the Articles of Incorporation, and internal regulations, and receives reports on the business execution status of each Director and the performance of major Group companies.
- 4) Important information such as resolutions by the Board of Directors is being appropriately retained, recorded, and managed by those departments with authority and responsibility in accordance with laws, regulations, and timely disclosure rules of the financial instruments exchange. In the event information is determined to be useful for shareholders and investors in making appropriate investment decisions, the Company makes an effort to provide appropriate disclosure.
- 5) Systematic auditing by the Audit & Supervisory Committee utilizing the internal control system is being conducted effectively, with the Audit Department (Internal Audit Division) fulfilling its expected role.

The Company is also reviewing various procedures based on actual work conditions.

### (II) Risk management system and status

Matters that may negatively impact business results, financial condition, stock price, and other aspects of the Company and Group businesses are described in the "2. Business and Other Risks" section in "II. Business Overview, Part I Information on the Company."

The full-time Executive Directors working at the Group headquarters use opportunities, such as internal business meetings held several times a week, to identify risks that may occur, and strive to improve risk management based on the internal control framework.



(III) Summary of agreement (limited liability agreement) between the Company and its Directors (excluding Executive Directors, etc.) or its accounting auditor, stipulated in Article 427, Paragraph 1 of the Companies Act

The Company has set forth in its Articles of Incorporation a stipulation based on the provision of Article 427, Paragraph 1 of the Companies Act and accordingly has concluded with the three non-Executive Directors (who are Directors serving as Audit & Supervisory Committee Members) and with the accounting auditor such agreements to limit their liability for damages as prescribed in Article 423, Paragraph 1 of the Companies Act. This limitation of liability is applied only in cases where the Director serving as Audit & Supervisory Committee Member or the accounting auditor causing the damage performed his/her duties in good faith and without gross negligence; the limit of liability in such a case is the “minimum liability limit” amount stipulated in Article 425, Paragraph 1 of the Companies Act.

Furthermore, limited liability agreements the Company concluded with Corporate Auditors (including former Corporate Auditors) during the phase when it was a company with Board of Corporate Auditors (namely, the period prior to the conclusion of the 35th General Meeting of Shareholders held on January 27, 2016 regarding the fiscal year ended October 31, 2015) as defined in the Articles of Incorporation effective at that time, remain in effect at the present time with the same stipulations as the current limited liability agreement.

(IV) Summary of directors and officers liability insurance policy concluded by Directors and other officers as insured persons

The Company has entered into a directors and officers liability insurance policy as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The policy covers Directors, Audit & Supervisory Committee Members, and Corporate Officers of the Company and its subsidiaries under the Companies Act as insured persons, and the insurance premiums are fully borne by the Company.

The policy stipulates that the insurance company will cover damages that may be incurred by the insured persons from liabilities assumed in connection with the execution of their duties, or in the event they receive a claim that seeks to hold them liable. It will be renewed each year. The Company plans to renew the policy with the same content at the next renewal date.

(V) Number of Directors

As stipulated in the Company’s Articles of Incorporation, the number of Directors shall not exceed 16 people, of which no more than four shall be Directors serving as Audit & Supervisory Committee Members.

(VI) Requirements for a resolution to appoint Directors

As a company with an Audit & Supervisory Committee, Directors who serve as Audit & Supervisory Committee Members and other Directors are elected separately at the General Meeting of Shareholders. According to the Company’s Articles of Incorporation, for both categories “a resolution of election shall be attended by shareholders holding shares representing one-third or more of total number of voting rights of shareholders who may exercise voting rights, and shall be adopted by a majority of the voting rights,” and in addition, “election shall not depend on cumulative voting.”

(VII) Year-end dividend and interim dividend

a) Year-end dividend

To enable the Company to maintain flexible capital and dividend policies, the Company’s Articles of Incorporation prescribe that “matters specified in the items of Article 459, Paragraph 1 of the Companies Act, including those related to the payment of dividends, may be decided by the Board of Directors unless otherwise stipulated by laws and regulations.” However, this provision does not exclude resolutions at the General Meeting of Shareholders.

b) Interim dividend

Based on Article 454, Paragraph 5 of the Companies Act, the Articles of Incorporation stipulate that “through a resolution by the Board of Directors, shareholders listed on the final shareholders registry and registered pledgees as of April 30<sup>th</sup> each year are able to receive an interim dividend.” The purpose of establishing this provision is to enable the return of profits to shareholders flexibly in accordance with profit levels.

(VIII) Acquisition of treasury shares

Based on Article 165, Paragraph 2 of the Companies Act, the Articles of Incorporation stipulate that “through a resolution by the Board of Directors, treasury shares can be acquired through a market transaction, etc.” The purpose of establishing this provision is to make it possible to flexibly carry out capital policies corresponding to changes in the business environment. The Board of Directors, in making a decision to acquire treasury shares, will comprehensively judge the status of business results including earnings trends, future performance forecasts, basic capital policies, etc. from the standpoint of continuous enhancement of corporate value and appropriate shareholder return.

(IX) Director and accounting auditor's partial exemption from liability for damages

Regarding Directors (including those who were Directors) and accounting auditor's (including those who were accounting auditors) liability for damages to the Company due to negligence, based on Article 426, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that "subject to the resolution of the Board of Directors, exemption from liability is possible to the limit the laws and regulations allow." The purpose of this provision is to create an environment in which the Directors and the accounting auditor are able to make sufficient use of their capabilities and fulfill the role expected of them.

(X) Special resolution at the General Meeting of Shareholders

In regard to the resolution requirement for special resolution at the General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act, the Company stipulates in its Articles of Incorporation that "a special resolution of General Meeting of Shareholders shall be attended by shareholders holding shares representing one-third or more of the total number of voting rights of shareholders who may exercise voting rights, and shall be adopted by two-thirds or more of the voting rights." The purpose of this provision is to relax the requirements for a quorum for special resolutions of General Meeting of Shareholders so that these meetings can be operated smoothly.

## (2) Directors and other officers

## 1) Status of Directors and other officers

Male: 9, Female: 1 (percentage of female directors 10.0%)

Title	Name	Date of birth	Career summary	Term of office	Share ownership (thousands)
Representative Director, Chairman and President, Chief Executive Officer, Group Chief Executive Officer (CEO)	Hideo Sawada	February 4, 1951	<p>Dec. 1980 Established the Company and became Representative Director and President</p> <p>Mar. 1999 Representative Director and President, Kyoritsu Shoken, Co., Ltd. (currently Sawada Holdings Co., Ltd.)</p> <p>Mar. 2003 Director and Chairman, Agricultural Bank of Mongolia LLC (currently Khan Bank LLC) (current)</p> <p>Jun. 2004 Director and Chairman of the Company</p> <p>Dec. 2009 Representative Director and Chairman of the Company</p> <p>Mar. 2010 Representative Director and President of Huis Ten Bosch Co., Ltd.</p> <p>Sep. 2012 Chairman of Tokyo Symphony Orchestra (current)</p> <p>Nov. 2016 Representative Director, Chairman and President, Chief Executive Officer (CEO) of the Company Representative Director and Chairman of Sawada Holdings Co., Ltd. (current)</p> <p>Nov. 2017 Representative Director, Chairman and President of H.I.S. Hotel Holdings Co., Ltd.</p> <p>Jan. 2018 Representative Director, Chairman and President, Chief Executive Officer of the Company; Group Chief Executive Officer (CEO) (current)</p> <p>May 2018 Director of H.I.S. Energy Holdings Co., Ltd. (current)</p> <p>Jan. 2019 Representative Director and Chairman of H.I.S. Hotel Holdings Co., Ltd.</p> <p>May 2019 Director and Chairman of Huis Ten Bosch Co., Ltd.</p> <p>Jan. 2021 Representative Director, Chairman and President of H.I.S. Hotel Holdings Co., Ltd. (current)</p>	(Note 3)	17,948
Director, Senior Managing Executive Officer; President of HIS Japan; Chief Digital Officer (CDO)	Tatsuya Nakamori	August 4, 1967	<p>Nov. 1986 Joined the Company</p> <p>Jan. 2010 Director of the Company; In charge of West Japan Area Sales; General Manager of Kansai Area Sales Division</p> <p>Feb. 2014 Director of the Company; In charge of West Japan Area Sales</p> <p>Mar. 2014 Managing Director of the Company; In charge of Airline-related Purchasing/Arrangement, and Online Travel Business</p> <p>Apr. 2014 Managing Director of the Company; In charge of Airline-related Purchasing/Arrangement, and Online Travel Business; General Manager of HQ Procurement Division</p> <p>Nov. 2016 Managing Director of the Company; President of HIS Japan</p> <p>Jan. 2018 Director and Senior Managing Executive Officer of the Company; President of HIS Japan</p> <p>Aug. 2020 Director and Senior Managing Executive Officer of the Company; President of HIS Japan, Chief Digital Officer (current)</p>	(Note 3)	27

Title	Name	Date of birth		Career summary	Term of office	Share ownership (thousands)
Director, Managing Executive Officer; In charge of Affiliate Management Division and Online Experience Division; General Manager of Global Business Strategy Division	Masayuki Oda	January 1, 1966	<p>Jun. 1996 Mar. 2014 Jan. 2016 Nov. 2016 Jan. 2018 Feb. 2018 Nov. 2018 May 2019 Jan. 2021</p>	<p>Joined the Company Corporate Officer of the Company; General Manager of Kansai Area Sales Division Director of the Company; In charge of Kansai, Chugoku, Shikoku, Kyushu Area Sales; In charge of Global Product Marketing; General Manager of Kansai Area Sales Division Director of the Company; Vice President of HIS Japan; General Manager of Domestic Travel Division Director and Managing Executive Officer of the Company; Vice President of HIS Japan; General Manager of Domestic Travel Division Director and Managing Executive Officer of the Company; In charge of Corporate Planning Division, Global Business Strategy Division, and Global System Development Division; General Manager of Affiliate Management Division Director and Managing Executive Officer of the Company; In charge of Corporate Planning Division and Global Business Strategy Division; General Manager of Affiliate Management Division Director and Managing Executive Officer of the Company; In charge of Corporate Planning Division, Affiliate Management Division, HQ HR Division, CS &amp; ES, General Affairs, and CSR; General Manager of Global Business Strategy Division Director and Managing Executive Officer of the Company; In charge of Affiliate Management Division and Online Experience Division; General Manager of Global Business Strategy Division (current)</p>	(Note 3)	6
Director, Senior Executive Officer, Chief Financial Officer (CFO); In charge of Consolidated Finance and Accounting, Consolidated HR, CS & ES, General Affairs, Corporate Planning Division, CSR, Legal Affairs and Internal Control, and Compliance	Motoshi Yada	July 25, 1961	<p>Apr. 1984 Aug. 1993 May 1998 May 2000 Sep. 2001 Nov. 2004 Oct. 2005 Nov. 2005 Jan. 2020 Jan. 2021 Apr. 2021</p>	<p>Joined Japan Ground Self-Defense Force Joined the Company Assistant Manager of Kanto Sales Division Manager of HQ President's Office Manager of HQ HR Division Manager of Kansai Sales Division Advisor to Kyushu Industrial Transportation Co., Ltd. (currently Kyushu Sangyo Kotsu Holdings Co., Ltd.) Representative Director and President of Kyushu Sangyo Kotsu Holdings Co., Ltd. Director of the Company Director and Senior Executive Officer of the Company; In charge of Consolidated Finance and Accounting, Consolidated HR, CS &amp; ES, General Affairs, Corporate Planning Division, CSR, Legal Affairs and Internal Control, and Compliance; Chief Financial Officer (CFO) (current) Director and Chairman of Kyushu Sangyo Kotsu Holdings Co., Ltd. (current)</p>	(Note 3)	–
Director, Senior Executive Officer; Vice President of HIS Japan; General Manager of Corporate Sales Division	Atsushi Yamanobe	March 18, 1970	<p>Apr. 1993 Mar. 2014 Jan. 2016 Nov. 2016 Jan. 2018 Mar. 2018 Nov. 2019</p>	<p>Joined the Company Corporate Officer of the Company; Manager of Kanto Sales Division; Manager of Kanto Web Business Division; Manager of Kanto Corporate Sales and Group Travel Division Director of the Company; In charge of East Japan Area Sales; General Manager of Kanto Area – Overseas Travel Division Director of the Company; Vice President of HIS Japan; General Manager of Kansai Area Sales Division Director and Senior Executive Officer of the Company; Vice President of HIS Japan; General Manager of Kansai Area Sales Division Director and Senior Executive Officer of the Company; Vice President of HIS Japan; General Manager of Corporate Travel Sales Division Director and Senior Executive Officer of the Company; Vice President of HIS Japan; General Manager of Corporate Sales Division (current)</p>	(Note 3)	6

Title	Name	Date of birth	Career summary		Term of office	Share ownership (thousands)
Director, Senior Executive Officer; In charge of Southeast and South Asia	Mutsumi Gomi	June 6, 1968	Apr. 1992 May 2010 Sep. 2012  Jan. 2016  Dec. 2017  Jan. 2018  Nov. 2018  Apr. 2020	Joined the Company Manager of East Japan FIT Department Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; Head of Jakarta Central Branch Corporate Officer of the Company; Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; Head of the Jakarta Central Branch Corporate Officer of the Company; Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; General Manager of Southeast Asia Central Sales Division & Head of Jakarta Central Branch Director and Senior Executive Officer of the Company; Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; General Manager of Southeast Asia Central Sales Division & Head of Jakarta Central Branch Director and Senior Executive Officer of the Company; Chief Information Officer (CIO); In Charge of Southeast and South Asia Director and Senior Executive Officer of the Company; In charge of Southeast and South Asia (current)	(Note 3)	6
Director (Note 2)	Hidetaka Sawada	November 2, 1981	Apr. 2005 Jun. 2006 Sep. 2006 Feb. 2012 Jul. 2016 Jan. 2019 Jan. 2020	Joined Nikko Cordial Securities Inc. (currently SMBC Nikko Securities Inc.) Director of Sawada Holdings Co., Ltd. Director of H.S. Securities Co., Ltd. Representative Director and President of Bestone.com Co., Ltd. (current) Representative Director and President of Fivestar Cruise Co., Ltd. (current) Representative Director of Ebisu Ryokan K.K. (current) Director of the Company (current)	(Note 3)	654
External Director, Audit & Supervisory Committee Member (Note 1)	Tsunekazu Umeda	August 22, 1945	Mar. 1974 Sep. 1987  Apr. 1995 Jun. 1995 Jan. 1999 Jun. 2000 Jun. 2000 Jun. 2007 Jun. 2010 Jun. 2015 Jan. 2016 Jun. 2019	Registered as a certified public accountant Partner, Arthur Andersen and Company; Representative partner, Eiwa Audit Corporation (currently KPMG AZSA LLC) Director, Umeda Certified Public Accountant Office (current) Director and Executive Vice President, Nippon Kaiheiki Kogyo (currently NKK Switches Co., Ltd.) External Corporate Auditor of the Company External Corporate Auditor, HABA Laboratories, Inc. External Corporate Auditor, TOMY Company (currently Takara Tomy Co., Ltd.) (current) External Corporate Auditor, Sawada Holdings Co., Ltd. External Director, Suzuden Corporation Director serving as Audit & Supervisory Committee Member (external director), HABA Laboratories, Inc. (current) Director serving as Audit & Supervisory Committee Member (external director) of the Company (current) External Director, ESTELLE HOLDINGS CO., LTD. (current)	(Note 4)	21

Title	Name	Date of birth	Career summary	Term of office	Share ownership (thousands)
External Director, Audit & Supervisory Committee Member (Note 1)	Atsushi Nabeshima	August 2, 1946	Jul. 1969 Joined Tokio Marine & Fire Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.) Jul. 1995 Director, General Manager of Operation Department, Tokio Marine Medical Service Co., Ltd. Jul. 2001 Compliance Officer, Tokio Marine Anshin Life Insurance Co., Ltd. Jun. 2003 Director, HABA Laboratories, Inc.; In charge of Product Development and Medical-related Business Jan. 2007 Director, HABA Laboratories, Inc.; In charge of General Affairs, Human Resources, and Accounting Dec. 2007 Representative Director and President, Shinshu Pharmaceutical, Inc. Jun. 2019 Executive Director, Showa Kaikan Jan. 2021 Director serving as Audit & Supervisory Committee Member (external director) of the Company (current) Jun. 2021 Director General, Showa Kaikan (current)	(Note 4)	–
Director, Full-time Audit & Supervisory Committee Member	Sonoko Sekita	July 23, 1965	Feb. 1988 Joined the Company May 2000 Assistant Manager, Accounting Department, Kanto Area Sales Division Apr. 2008 Accounting Group Leader, HQ Accounting Division Dec. 2012 Seconded to H.I.S. MANAGEMENT SERVICES SDN.BHD. as Director and Manager of Accounting Jan. 2015 Full-time Corporate Auditor of the Company Jan. 2016 Director serving as Full-time Audit & Supervisory Committee Member of the Company (current)	(Note 4)	25
Total					18,695

(Notes)

- Directors serving as Audit & Supervisory Committee Members Tsunekazu Umeda and Atsushi Nabeshima are External Directors.
- Relative within the second degree of kinship of Representative Director, Chairman and President Hideo Sawada.
- Term of office extends until the conclusion of the General Meeting of Shareholders for the last business year within one year from the conclusion of the General Meeting of Shareholders held on January 27, 2022.
- Term of office extends until the conclusion of the General Meeting of Shareholders for the last business year within two years from the conclusion of the General Meeting of Shareholders held on January 27, 2022.
- The Company has instituted a corporate officer system with the aim of enhancing the business execution structure.

Names and positions of Corporate Officers (excluding Corporate Officers who concurrently serve as Director) are as follows.

Position	Name
Corporate Officer Deputy General Manager of Corporate Sales Division	Kiyoshi Takano
Corporate Officer General Manager of Corporate Planning Division	Ken Fukushima
Corporate Officer Director and Vice President of Kyushu Sangyo Kotsu Holdings Co., Ltd.	Yuji Iwama
Corporate Officer General Manager of the North, Central, and South American Central Sales Division	Hideo Hatano
Corporate Officer General Manager of HQ HR Division & CS/ES Management Division	Kozo Arita
Corporate Officer General Manager of Accounting & Finance Division	Yuka Kataoka
Corporate Officer Representative Director and President of H.I.S. Energy Holdings Co., Ltd.	Shohei Akao
Corporate Officer General Manager of H.I.S Group Europe Headquarters	Konosuke Oda
Corporate Officer General Manager of Private Travel Sales Division	Kenji Iida
Corporate Officer President & CEO of GROUP MIKI HOLDINGS LIMITED	Katsumi Hine
Corporate Officer Director of GROUP MIKI HOLDINGS LIMITED	Osamu Hanazaki
Corporate Officer General Manager of Affiliate Management Division & Head of Corporate Planning Office	Katsu Segawa
Corporate Officer General Manager of the Americas	Tomohisa Kumamoto
Corporate Officer Chief Information Officer (CIO) and General Manager of Information System Division	Naoyuki Kado

2) Basic thinking on the number and appointment status of External Directors; standards and policies regarding independence of External Directors

a) Basic thinking on the number and appointment status of External Directors

At present, the Company has two External Directors, both of whom have been appointed as Audit & Supervisory Committee Members (Directors serving as Audit & Supervisory Committee Members). In addition, provided there is a qualified candidate, the Company will consider the appointment of an External Director not serving as an Audit & Supervisory Committee Member.

External Director and Audit & Supervisory Committee Member Tsunekazu Umeda, formerly a partner at Arthur Andersen and Company, representative partner of Eiwa Audit Corporation (currently KPMG AZSA LLC), and founder of the Umeda Certified Public Accountant Office, possesses a wealth of experience and knowledge as a certified public accountant regarding finance and accounting. In addition to being involved in corporate management, Mr. Umeda has experience with the Company as an external corporate auditor under the Board of Corporate Auditors structure, and continues to supervise the Company's management based on his accumulated experiences, knowledge, and insight from an independent and objective perspective, fulfilling his duties as a member of the Audit & Supervisory Committee.

External Director and Audit & Supervisory Committee Member Atsushi Nabeshima, appointed on January 27, 2021, has extensive experience and knowledge from taking part in the management of a large traditional company, Tokio Marine & Fire Insurance Co., Ltd., and a venture-type listed company, HABA Laboratories, Inc. He is expected to provide advice and suggestions related to the management of the Company from an independent and objective perspective, drawing on his deep insight in corporate ethics and corporate governance, and to fulfill the responsibilities of the Audit & Supervisory Committee. Accordingly, he was appointed as a Director and Audit & Supervisory Committee Member.

The Company's current External Directors both satisfy the independence requirement stipulated by the Tokyo Stock Exchange (TSE) provision on independent directors. With the consent of the principals, the Company designated them as independent directors and submitted an Independent Director Notification to the TSE.

b) Details on standards and policies regarding independence of External Directors

Based on the requirements for external directors stipulated in the Companies Act and independence standards stipulated by the Tokyo Stock Exchange, the Company applies the following conditions (the amendment or elimination of which is based on a resolution of the Board of Directors) to determine whether the relevant External Directors is independent. At present, the Company has two External Directors, both of whom satisfy these conditions:

- i) Principal is not at present, nor has never in the past been an executive director, executive officer, corporate officer, or employee (hereinafter, "Business Executor") of the Company, its subsidiaries or associates
- ii) Principal is not a major shareholder (a shareholder listed among the top ten shareholders on the latest shareholder registry or a shareholder with a ratio of 10% or more of the total voting rights), nor does not currently belong to an organization that is a major shareholder
- iii) Principal is not a Business Executor of a company, of which the Group is a major shareholder (a shareholder listed among the top ten shareholders on the latest shareholder registry or a shareholder with a ratio of 10% or more of the total voting rights)
- iv) Principal is not a person belonging to a business partner engaged in transactions with the Group (totaling 2% of consolidated net sales of either party per year) in the three most recent fiscal years
- v) Principal is not a Business Executor of a financial institution that is a major lender to the Group (lender of an amount equivalent to 2% or more of the Company's consolidated total assets)
- vi) Principal is not a Business Executor of the Group's leading brokerage firm
- vii) Principal is not a consultant, accounting expert, or legal expert who has obtained cash or other asset gains of 10 million yen or more on average in a single fiscal year other than officer remuneration from the Company, nor an accounting auditor or contracted adviser of the Company (if a corporation, association or group, the person belonging to said organization) in the three most recent fiscal years
- viii) Principal is not a person currently belonging to a non-profit organization that has received from the Company a contribution amounting to 2% or more of its total income or ordinary profit in the three most recent fiscal years
- ix) If the Principal has a history of belonging to an organization or business partner indicated in (ii) to (viii) above, he/she must be retired from said organization or business partner for three or more years
- x) Principal is not a spouse or a relative within the second degree of kinship of (ii) to (ix) above
- xi) In addition to the above, those with special circumstances preventing them from fulfilling their duties as external directors with independence, including possible conflicts of interest with the Company, etc.

3) Status of cooperation between External Directors and Internal Audit Division

The Company's two External Directors are both Directors serving as Audit & Supervisory Committee Members. As members of the Board of Directors, they supervise the execution of duties by Directors. As members of the Audit & Supervisory Committee, they exchange opinions and communicate with Directors, the Internal Audit Division, and the Internal Control Division in accordance with audit policies, standards, and plans defined by the Committee itself. Further, in addition to gathering information, they maintain mutual cooperation with the accounting auditor and engage in systematic auditing utilizing the internal control system.

4) Personal, capital, and trade relationships or other interests between External Directors and the Company

a) Relationship of interest between Tsunekazu Umeda and the Company

There are no personal, capital, or trade relationship, or other interests between Tsunekazu Umeda and the Company.

The status of Company shareholdings by Tsunekazu Umeda is listed under “1) Status of Directors and other officers.”

b) Relationship of interest between Atsushi Nabeshima and the Company

There are no personal, capital, or trade relationship, or other interests between Atsushi Nabeshima and the Company.

The status of Company shareholdings by Atsushi Nabeshima is listed under “1) Status of Directors and other officers.”

(3) Status of audits

1) Audit & Supervisory Committee

(I) Audit & Supervisory Committee organization and personnel

The Company’s Audit & Supervisory Committee consists of three Directors (Directors serving as Audit & Supervisory Committee Members), including two External Directors. In addition to appointing one Full-time Audit & Supervisory Committee Member, the Audit & Supervisory Committee appoints one additional Member for a total of two as Appointed Audit & Supervisory Committee Members under Article 399, Paragraph 3, Section 1 of the Companies Act.

Of the Audit & Supervisory Committee Members, External Director Tsunekazu Umeda is a certified public accountant possessing a wealth of experience and knowledge with regard to finance and accounting. Also, External Director Atsushi Nabeshima has accumulated business experience and specialized knowledge as a compliance officer at a financial institution and other organizations, and he has extensive knowledge in all aspects of management as the representative of a company and incorporated association. Full-time Audit & Supervisory Committee Member Sonoko Sekita has broad knowledge with regard to accounting and finance through her business experience and numerous achievements over many years in the accounting department of the Company and of its business administration company abroad.

The Audit & Supervisory Committee Office, which assists the Committee in executing its duties, is established within the Audit & Supervisory Committee organization. Employees dedicated to assisting the professional duties of the Audit & Supervisory Committee are selected and are placed in the Audit & Supervisory Committee Office based on consent of the Audit & Supervisory Committee Members.

In addition, employees from the Internal Audit Division, Accounting Division, and/or Legal Division assist the Audit & Supervisory Committee in executing its duties as necessary. The Audit & Supervisory Committee maintains the exclusive authority to direct, command, and supervise the business duties of employees placed in the Audit & Supervisory Committee Office, and the Committee’s opinions and intentions are respected and significantly reflected in personnel-related matters such as evaluation and transfer of such employees.

(II) Overview of Audit & Supervisory Committee meetings

The Audit & Supervisory Committee holds a regular monthly meeting that lasts 60 minutes on average, and extraordinary meetings whenever necessary. In the fiscal year ended October 31, 2021, all members attended the meetings held during their term of office.

	Number of meetings	Attendance rate during term of office
Sonoko Sekita (Full-time, Appointed Audit & Supervisory Committee Member)	15	100%
Tsunekazu Umeda (Appointed Audit & Supervisory Committee Member)	15	100%
Atsushi Nabeshima (appointed in January 2021)	11	100%

[Main points deliberated by the Audit & Supervisory Committee in the fiscal year under review] (Including important matters related to the fiscal year under review)

- Voting on year-end proposals related to personnel affairs and remuneration
- Receipt of audit report, etc. from the accounting auditor
- Evaluation of the accounting auditor, and examination of remuneration
- Receipt and audit of financial results report, approval of business report, preparation and filing of audit report
- Audit of preparation and implementation of General Meeting of Shareholders, and review of audit activities for previous fiscal year based on outcomes of the Meeting
- Formulation of yearly audit plan at the beginning of the fiscal year, and revisions due to abolishment of holding company structure during the fiscal year (change in audit priority items)
- Interviews with Directors, Corporate Officers, General Managers, etc., or sharing of reports on such initiatives by Appointed Audit & Supervisory Committee Members
- Exchanges of opinion with the Representative Director
- Deliberations on key audit matters (KAMs) with the accounting auditor
- Examination of items to evaluate Board of Directors effectiveness, and evaluation of results



- Evaluation of state of compliance with the revised Corporate Governance Code
- Evaluation of adequateness of investigations of inappropriate transactions by subsidiaries
- Evaluation of effectiveness of Audit & Supervisory Committee, and examination of issues to be addressed in the next fiscal year

(III) Audit procedures, etc.

Audit by the Audit & Supervisory Committee is fundamentally an organizational audit utilizing the internal control system. The Committee follows the audit policies, standards, and plans, which it defines on its own; communicates with the Directors, the Internal Audit Division, and the Internal Control Division through exchanging opinions; collects information; and also maintains mutual cooperation with the accounting auditor, with the intent to conduct Audit & Supervisory Committee audits effectively.

The Full-time Audit & Supervisory Committee Member participates in key meetings, including at Group companies, and orally reports findings from interviews with Executive Directors, Corporate Officers, General Managers, etc., as well as audit results, at regular meetings of the Audit & Supervisory Committee. In addition, the Member promptly shares information with External Directors via email or other means as necessary, and examines measures to resolve issues. Through such activities, the Audit & Supervisory Committee audits the daily execution of duties by Directors.

[Main audit activities]

Activity type	Items/description	Main/important issues raised, etc.
Participation in important meetings	Meeting of heads of various major businesses	Explanation of operating policies, etc.
	Weekly meetings with full-time Directors and Corporate Officers	Reporting on progress by business, sharing of issues
	Annual groupwide meeting	Annual report, sharing of next-year plan and strategy
Exchange of opinions with Directors, Corporate Officers, General Managers, etc.	Progress with annual plan Initiatives related to management challenges Execution of duties by Directors and Corporate Officers, etc.	Achievement probability versus plan, causes for shortfalls against targets, and reflection and improvement; decision-making processes related to effectiveness and midway changes to plan; initiatives to resolve isolated or systematic issues, etc.
Interviews with subsidiaries and associates	Market environment, and progress with annual and medium-term plans Initiatives related to management challenges Requests to the headquarters, etc.	
Meetings with the Audit Department	Examination of internal audit plans, and receipt of implementation report Progress with special investigations, receipt of findings, examinations of problems, etc.	Initiatives to improve audit effectiveness Support for business types that are expanding
Meetings with the Internal Control Office	Report on progress with J-SOX compliance, report of annual achievements, etc.	Initiatives to improve schedule, etc.
Meetings with ES Management Division	Confirmation of status of internal reporting and consultations, receipt of reports on improvement efforts, etc.	Relative and fundamental improvement initiatives to address issues learned from internal reports or consultation
Meetings with the accounting auditor	Audit reports for quarterly financial results, key audit matter (KAM) deliberations Audit reports for annual financial results Attending accounting auditor's interviews with Directors	Support for first year of KAM application, identification of designated risks, response to problems that have emerged, etc.
Viewing of important documents	Viewing of approval requests and contracts to confirm matters resulting from approval of requests and content of major contracts	Evaluation whether atypical approval documents and decision processes are appropriate, and whether follow-up after execution is appropriate
Evaluation of investigation committee for inappropriate transactions	Evaluate policy, method, scope, depth, and other details of investigation	Determine whether appropriateness of investigation report is high
Year-end audit procedure	Interview with Accounting Division regarding financial statements Receipt of reports from accounting auditor and examination of content Examination of explanation of business reports by related divisions	Confirmation of degree of awareness of problems and abnormalities; evaluation of whether measures to resolve problems are appropriate; evaluation of whether disclosure method and phrasing is adequate or appropriate

## 2) Internal audit

### (I) Internal audit organization, personnel, and procedures

Internal auditing of Company divisions and Group company operations (including internal control auditing) is conducted regularly based on internal auditing rules, internal auditing conduct standards, and annual auditing plans by the Audit Department (seven members) under direct supervision of the Representative Director, Chairman and President.

The Audit Department provides recommendations regarding auditing results and improvements, reporting to the Representative Director, Chairman and President, relevant Directors, responsible personnel in corresponding departments and divisions, and the Audit & Supervisory Committee. Under close cooperation with the Audit & Supervisory Committee (and occasionally by receiving instructions), the Audit Department plays a significant role in the Audit & Supervisory Committee's systematic auditing efforts utilizing the internal control system.

### (II) Mutual cooperation among internal audit, audit by the Audit & Supervisory Committee, and accounting audit, and their relationship to the Internal Control Division

As the audit by the Audit & Supervisory Committee is basically a systematic auditing utilizing the internal control system, please refer to the above "1) Audit & Supervisory Committee" and "(I) Internal audit organization, personnel, and procedures" sections in regard to mutual cooperation among internal audit, audit by the Audit & Supervisory Committee, and accounting audit, and their relationship to the Internal Control Division. As the Company's two External Directors are Directors serving as Audit & Supervisory Committee Members, please also refer to the "3) Status of cooperation between External Directors and Internal Audit Division" section under "(2) Directors and other officers."

## 3) Accounting audit

### (I) Name of accounting auditor

Deloitte Touche Tohmatsu LLC

### (II) Continuous audit period

21 years

### (III) Certified public accountants who conducted the accounting audit

Designated Limited Liability Partners and Engagement Partners: Koichi Kuse, Takuya Inoue

### (IV) Accounting audit assistant composition:

23 certified public accountants, 11 assistant certified public accountants, etc., and 16 others

### (V) Accounting auditor selection policy and underlying reasons

The Company has appointed Deloitte Touche Tohmatsu LLC as its accounting auditor because it believes the company possesses the competence, expertise, organizational framework, job credentials, and historical track record as an accounting auditor to perform effective audits, and because there are no issues in terms of independence with the company. If it judges that any of the items specified in Paragraph 1, Article 340 of the Companies Act are applicable to the accounting auditor, the Audit & Supervisory Committee will dismiss the accounting auditor. Also, in the event of other conditions that call into question the appropriateness of the currently appointed accounting auditor, including events that impair its qualification or independence, the Audit & Supervisory Committee will examine the dismissal or non-reappointment of the accounting auditor. If, based on such examination, the Audit & Supervisory Committee concludes it is appropriate to dismiss or not reappoint the accounting auditor, the Board of Directors will submit a proposal to dismiss or not reappoint the accounting auditor, as determined by the Audit & Supervisory Committee, to the General Meeting of Shareholders.

### (VI) Evaluation of accounting auditor by the Audit & Supervisory Committee

The Audit & Supervisory Committee of the Company conducts annual evaluations of the accounting auditor using the following procedure.

- a. Collect information about audit practices of the accounting auditor in the applicable fiscal year through interviews with related internal divisions
- b. Review details and status of three-way audit meetings by the Audit & Supervisory Committee, Internal Audit Division, and accounting auditor
- c. Review details and status of opinion exchanges and other talks between the Audit & Supervisory Committee and the accounting auditor on a quarterly basis and if otherwise deemed necessary

In addition to flexibly determining the suitability of accounting audits from the aforementioned elements, the Company evaluates the overall appropriateness of accounting audits at the end of the fiscal year by comparing the contents of quarterly audit reports provided by the accounting auditor and statutory reporting matters against a check sheet drafted in accordance with laws and regulations.

4) Fees paid to auditing certified public accountants, etc.

(I) Details of fees paid to auditing certified public accountants, etc.

(Millions of yen)

Category	Year ended October 31, 2020		Year ended October 31, 2021	
	Fees for audit and attestation	Fees for non-audit services	Fees for audit and attestation	Fees for non-audit services
Filing Company	99	18	131	6
Consolidated subsidiaries	92	—	109	8
Total	191	18	241	15

(Consolidated fiscal year ended October 31, 2020)

Non-audit services rendered to the Company were advisory services related to J-SOX compliance for consolidated subsidiaries.

(Consolidated fiscal year ended October 31, 2021)

Non-audit services rendered to the Company were advisory and other services in relation to the application of new accounting standards for revenue recognition.

(II) Details of fees paid to organizations belonging to the same network as auditing certified public accountants (excluding (I) above)

(Millions of yen)

Category	Year ended October 31, 2020		Year ended October 31, 2021	
	Fees for audit and attestation	Fees for non-audit services	Fees for audit and attestation	Fees for non-audit services
Filing Company	—	2	—	2
Consolidated subsidiaries	37	11	112	29
Total	37	13	112	31

(Consolidated fiscal year ended October 31, 2020)

Non-audit services rendered to the Company and its consolidated subsidiaries were tax-related services.

(Consolidated fiscal year ended October 31, 2021)

Non-audit services rendered to the Company and its consolidated subsidiaries were tax-related services and advisory services related to corporate reorganization.

(III) Details of other significant fees for audit certification

(Consolidated fiscal year ended October 31, 2020)

There are no applicable matters to report.

(Consolidated fiscal year ended October 31, 2021)

There are no applicable matters to report.

(IV) Policy on determination of audit fees

Remuneration for auditing certified public accountants, etc. is appropriately determined by the Company based on the consent of the Audit & Supervisory Committee, and taking into consideration the details of the audit work and the number of days required.

(V) Reason the Audit & Supervisory Committee agreed to audit fees of the accounting auditor

The Audit & Supervisory Committee agreed to the audit fees for the consolidated fiscal year ended October 31, 2021 after verifying the appropriateness of the details of the audit plan (schedule, risk approach, etc.) and the compensation level based on the track record of the accounting auditor in the previous fiscal year, and with reference to the composition of the deployed accountants, research materials published by the Institute of Certified Public Accountants, and case studies involving other companies.

(4) Executive remuneration, etc.

1) Matters related to remuneration amounts, etc. for officers and policy for determining calculation method for such amounts

At its Board of Directors meeting held on February 25, 2021, the Company adopted a policy to determine remuneration, etc. for individual Directors of the Company.

The determination policy for remuneration, etc. for individual Directors is as follows.

[Rules related to remuneration calculation method and determination of remuneration]

Remuneration amounts paid by the Company to its officers are set within the overall limit of remuneration approved by the General Meeting of Shareholders. The amounts allocated to Directors (excluding Audit & Supervisory Committee Members) are determined by the Board of Directors based on recommendations from the Remuneration Committee, and the amounts allocated to Directors who concurrently serve as Audit & Supervisory Committee Members are determined through deliberation with the Audit & Supervisory Committee Members.

The policy for determining remuneration amounts is in accordance with the internal remuneration regulations established through deliberation by the Board of Directors and Audit & Supervisory Committee Members and covers provisions related to the remuneration structure, remuneration determination criteria, and standard remuneration amounts.

[Remuneration policy]

(I) To have in place a competitive remuneration system with high degree of fairness

- Remuneration system and levels that are based on work responsibilities and performance (regardless of nationality or gender), and contribute to the acquisition and retention of outstanding human resources

(II) To have in place a remuneration system focused on improving corporate and shareholder value

- Remuneration system and structure that is closely correlated to earnings performance and focuses on improving medium- to long-term corporate and shareholder value

[Remuneration structure]

Remuneration type		Objective/Summary
Fixed	a. Basic monthly remuneration	The Company determines amounts commensurate with Directors' roles and positions, and pays these as basic monthly remuneration.
Variable	b. Performance-linked remuneration (linked to ordinary profit)	To calculate performance-linked remuneration, the Company uses the average of the three highest ordinary profit amounts recorded in the last 10 consolidated fiscal years as a reference value. As a rule, the Company pays an amount equivalent to 7% of the amount obtained by subtracting this reference value from the ordinary profit amount for the current fiscal year. However, based on earning performance trends, the Company may adjust the abovementioned 7% by 1–2 points. <ul style="list-style-type: none"><li>• Concrete amounts are determined within a range of 0–200% of the standard amount in accordance with the degree of earnings achievement in each fiscal year.</li><li>• Paid as a lump-sum at the end of each fiscal year</li></ul>
	c. Stock option	The Company has established a stock option program as a form of remuneration that aims to enhance corporate value over the medium to long term. The total amount is kept within the annual amount (within 100 million yen) approved by the General Meeting of Shareholders.
	d. Restricted stock compensation	The Company allots restricted stock to Directors (excluding Directors who are Audit & Supervisory Committee Members, non-Executive Directors, Part-time Directors, and External Directors), and accordingly aims to motivate Directors to work toward continuous improvement of corporate value, and further align their interests with those of its shareholders. (The total amount is kept within the annual amount [within 100 million yen] approved by the General Meeting of Shareholders.) <ul style="list-style-type: none"><li>• Standard amount is calculated as monthly remuneration × multiple based on position at the Company</li></ul>

[Remuneration levels]

To ensure objectiveness and transparency of the decision-making process, the remuneration structure and levels for Directors and Corporate Officers are determined by a resolution of the Board of Directors following a review by the Remuneration Committee.

[Remuneration composition]

	Basic remuneration	Directors' bonuses	Stock-based compensation	
Remuneration type	a. Basic monthly remuneration	b. Performance-linked remuneration	c. Stock option	d. Restricted stock compensation
Performance-linked or not	Fixed	Performance-linked	Performance-linked	Not linked to performance
Time of payment	Monthly	Once a year	Upon completion of medium-term management plan	Upon retirement of each Corporate Officer
Share of remuneration	40%–48%	32%–40%	5%–9%	11%–15%

[Reason the Board of Directors has determined the remuneration, etc. for individual Directors is in line with the policy above in the fiscal year under review]

In determining matters involving remuneration, etc. for individual Directors, the Remuneration Committee has conducted extensive deliberations, including on whether the remuneration is consistent with the determination policy, and these matters have been deliberated and determined in the meetings of the Board of Directors. As a result, the Board of Directors has also determined that the remuneration is in line with the determination policy. However, the Remuneration Committee has not followed the basic policy above to make its determination because earnings performance has been significantly affected by the global COVID-19 pandemic.

2) Executive remuneration, etc.

(I) Total amount of remuneration paid by officer category, amount by type of remuneration, and number of eligible officers

Officer category	Total amount of remuneration (millions of yen)	Total amount by type of remuneration (millions of yen)				Number of eligible officers
		Fixed remuneration	Performance-linked remuneration	Stock option	Restricted stock compensation	
Director (excluding Audit & Supervisory Committee Members) (excluding External Directors)	101	77	—	3	21	8
Director (Audit & Supervisory Committee Member) (excluding External Directors)	8	8	—	—	—	1
External Directors (Audit & Supervisory Committee Members)	9	9	—	—	—	3

(Notes)

1. The number of Directors above includes one Director (not Audit & Supervisory Committee Member) and one Director (Audit & Supervisory Committee Member) who retired at the conclusion of the General Meeting of Shareholders on January 27, 2021.
2. The maximum amount of remuneration paid to Directors (excluding Audit & Supervisory Committee Members) was set at 500 million yen per year (includes executive bonuses, but excludes payments related to employee status) by a resolution approved at the 35th General Meeting of Shareholders held on January 27, 2016. (The number of Directors [excluding Audit & Supervisory Committee Members] at the conclusion of that General Meeting of Shareholders was 10). A separate resolution was approved at the 36th General Meeting of Shareholders held on January 26, 2017 to grant Directors (excluding Audit & Supervisory Committee Members) share acquisition rights amounting to up to 100 million yen per year as stock options, and cap the number of share acquisition right units that can be allotted within one year from the date of the General Meeting of Shareholders of each fiscal year at 700 units. (The number of Directors [excluding Audit & Supervisory Committee Members] at the conclusion of that General Meeting of Shareholders was 10.) In addition, at the 37th General Meeting of Shareholders held on January 25, 2018, a resolution was approved to cap monetary claims payable corresponding to restricted stock compensation for Directors (excluding Audit & Supervisory Committee Members) at 100 million yen per year, and to cap the total number of common shares corresponding to restricted stock compensation to 100,000 shares per year. (The number of Directors [excluding Audit & Supervisory Committee Members] at the conclusion of that General Meeting of Shareholders was seven.) Finally, the Audit & Supervisory Committee has determined that the aforementioned remuneration, etc. is appropriate.
3. The maximum amount of remuneration paid to Directors (Audit & Supervisory Committee Members) was set at 50 million yen per year (including executive bonuses) by a resolution approved at the 35th General Meeting of Shareholders held on January 27, 2016. (The number of Directors [Audit & Supervisory Committee Members] at the conclusion of that General Meeting of Shareholders was three.)

4. The performance indicator, etc. for the payment of bonus amounts as performance-linked remuneration, its calculation method, and the reason the performance indicator was selected are described in “1) Matters related to remuneration amounts, etc. for officers and policy for determining calculation method for such amounts.” As the performance indicator target was not achieved within the fiscal year under review, no bonuses were paid.
5. The stock options and restricted stock compensation, which are both non-monetary forms of remuneration, are described in “1) Matters related to remuneration amounts, etc. for officers and policy for determining calculation method for such amounts.”

(II) Breakdown of total amount of consolidated remuneration by officer

Information about the total amount of consolidated remuneration by officer is not presented as there were no officers with a total amount of consolidated remuneration of 100 million yen or more.

(5) Information on shareholdings

(I) Criteria for shareholding classification and rationale

The Company classifies its shareholdings into shares held solely for pure investment and shares held for purposes other than pure investment. The former are held mainly for the purpose of generating profit through fluctuations in the share price or through dividends, while the latter are positioned as strategic holdings.

(II) Investment securities held for purposes other than pure investment

There are no applicable matters to report.

(III) Investment securities held solely for pure investment

Classification	Year ended October 31, 2021		Year ended October 31, 2020	
	Number of stock names	Total amount on balance sheet (millions of yen)	Number of stock names	Total amount on balance sheet (millions of yen)
Unlisted stocks	9	487	9	1,323
Stocks other than the above	—	—	—	—

Classification	Year ended October 31, 2021 (millions of yen)		
	Total dividend income	Total gains (losses) on sale	Total gains (losses) on valuation
Unlisted stocks	—	—	(Note)
Stocks other than the above	—	—	—

(Note) “Total gains (losses) on valuation” are not stated because unlisted stocks have no market price and it is deemed extremely difficult to grasp their fair market value.

## **V. Financial Information**

### **1. Basis of presentation for consolidated and non-consolidated financial statements**

(1) The Company's consolidated financial statements are prepared in conformity with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Regulation No. 28, 1976) (hereinafter, "Regulations on Consolidated Financial Statements.").

(2) The Company's non-consolidated financial statements are prepared in conformity with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Non-consolidated Financial Statements (Ministry of Finance Regulation No. 59, 1963) (hereinafter, "Regulations on Non-consolidated Financial Statements.")

As a company designated for the submission of non-consolidated financial statements prepared in accordance with special provision, the Company prepares its non-consolidated financial statements pursuant to Article 127 of the Regulations on Non-consolidated Financial Statements.

### **2. Independent auditing of financial statements**

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law, the Company arranged for the auditing firm Deloitte Touche Tohmatsu LLC to conduct independent audits of the consolidated and non-consolidated financial accounts of the Company for the fiscal year under review (November 1, 2020 to October 31, 2021).

### **3. Particular efforts to secure the appropriateness of the consolidated financial statements and other financial reports**

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements and other financial reports. Specifically, in order to accurately ascertain the content of the latest accounting standards and prepare appropriate consolidated financial statements, etc., it maintains membership in the Financial Accounting Standards Foundation and participates in educational opportunities provided by said Foundation, accounting firms, and other institutions, and subscribes to accounting journals. The Company also reviews its internal regulations and manuals as appropriate.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	*2 95,234	*2 101,411
Notes and accounts receivable - trade	15,829	16,718
Trade accounts receivable	345	171
Securities	—	11
Travel advance payments	7,253	8,927
Prepaid expenses	2,245	2,179
Short-term loans receivable	346	3,479
Short-term loans receivable from subsidiaries and associates	392	233
Accounts receivable - other	11,938	7,536
Other	7,013	5,062
Allowance for doubtful accounts	(1,376)	(2,234)
Total current assets	139,223	143,495
Non-current assets		
Property, plant and equipment		
Buildings	82,466	103,216
Accumulated depreciation	(16,420)	(19,029)
Buildings, net	*2, *8 66,045	*1, *2, *8 84,187
Tools, furniture and fixtures	23,312	23,539
Accumulated depreciation	(12,605)	(12,989)
Tools, furniture and fixtures, net	*8 10,706	*8 10,549
Land	*2, *4 80,282	*1, *2, *4 75,485
Leased assets	23,610	25,753
Accumulated depreciation	(10,405)	(12,621)
Leased assets, net	13,204	13,132
Construction in progress	24,274	11,101
Other	19,046	19,077
Accumulated depreciation	(11,348)	(12,241)
Other, net	*2, *8 7,698	*2, *8 6,836
Total property, plant and equipment	202,211	201,291
Intangible assets		
Goodwill	5,227	4,621
Other	*8 16,595	*8 15,486
Total intangible assets	21,822	20,107
Investments and other assets		
Investment securities	10,594	5,716
Shares of subsidiaries and associates	3,348	2,559
Investments in capital of subsidiaries and associates	20	77
Long-term loans receivable	*9 3,300	66
Long-term loans receivable from subsidiaries and associates	2,205	901
Retirement benefit asset	602	727
Deferred tax assets	12,986	11,135
Guarantee deposits	10,516	21,896
Other	9,249	*2 4,286
Allowance for doubtful accounts	(1,905)	(1,105)
Total investments and other assets	50,919	46,263
Total non-current assets	274,954	267,662
Deferred assets	426	289
Total assets	414,604	411,447



(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Trade accounts payable	9,029	12,978
Short-term borrowings	*2, *5 26,659	*2, *5 28,240
Current portion of bonds payable	*7 10,000	—
Current portion of long-term borrowings	*2 1,689	*2 4,557
Accounts payable - other	5,021	*2 4,331
Accrued expenses	4,172	4,320
Income taxes payable	1,159	529
Accrued consumption taxes	686	624
Travel advance received	14,021	14,112
Lease obligations	2,462	2,454
Provision for bonuses	1,033	779
Provision for bonuses for directors (and other officers)	22	25
Other	14,873	14,299
Total current liabilities	90,833	87,254
Non-current liabilities		
Bonds payable	*7 20,000	*7 20,000
Convertible bond-type bonds with share acquisition rights	*7 25,072	*7 25,054
Long-term borrowings	*2, *6 149,605	*1, *2, *6 184,643
Deferred tax liabilities	*4 5,038	*4 4,982
Retirement benefit liability	7,981	7,659
Provision for retirement benefits for directors (and other officers)	377	393
Lease obligations	13,070	12,410
Other	4,203	4,902
Total non-current liabilities	225,349	260,047
Total liabilities	316,182	347,301
Net assets		
Shareholders' equity		
Share capital	15,000	21,048
Capital surplus	7,450	13,328
Retained earnings	72,222	22,275
Treasury shares	(15,204)	(15,004)
Total shareholders' equity	79,468	41,647
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	597	713
Deferred gains or losses on hedges	7	7
Foreign currency translation adjustment	(6,157)	(1,859)
Remeasurements of defined benefit plans	32	118
Total accumulated other comprehensive income	(5,519)	(1,020)
Share acquisition rights	178	158
Non-controlling interests	24,294	23,360
Total net assets	98,421	64,145
Total liabilities and net assets	414,604	411,447

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

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Net sales	430,284	118,563
Cost of sales	360,387	102,179
Gross profit	69,896	16,383
Selling, general and administrative expenses	*1 101,026	*1 80,442
Operating profit (loss)	(31,129)	(64,058)
Non-operating income		
Interest income	1,269	755
Foreign exchange gains	—	1,134
Subsidy income	547	826
Other	1,250	1,822
Total non-operating income	3,067	4,538
Non-operating expenses		
Interest expenses	1,094	1,175
Share of loss of entities accounted for using equity method	194	548
Foreign exchange losses	321	—
Other	1,610	2,055
Total non-operating expenses	3,221	3,779
Ordinary profit (loss)	(31,283)	(63,299)
Extraordinary income		
Gain on sale of non-current assets	—	*2 1,613
Gain on sale of investment securities	1,085	988
Gain on sale of shares of subsidiaries and associates	—	394
Subsidy income	*3 9,969	*3 17,770
Total extraordinary income	11,055	20,766
Extraordinary losses		
Impairment loss	*4 5,320	*4 2,459
Loss on valuation of investment securities	837	1,595
Loss on valuation of shares of subsidiaries and associates	—	377
Provision of allowance for doubtful accounts	*5 1,418	—
Losses from downtime	*6 5,296	*6 3,548
Business restructuring expenses	—	*7 493
Total extraordinary losses	12,873	8,475
Profit (loss) before income taxes	(33,101)	(51,008)
Income taxes - current	1,565	411
Income taxes - deferred	(5,023)	1,823
Total income taxes	(3,457)	2,234
Profit (loss)	(29,644)	(53,242)
Profit (loss) attributable to non-controlling interests	(4,606)	(3,192)
Profit (loss) attributable to owners of parent	(25,037)	(50,050)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Profit (loss)	(29,644)	(53,242)
Other comprehensive income		
Valuation difference on available-for-sale securities	(422)	116
Deferred gains or losses on hedges	(65)	(0)
Foreign currency translation adjustment	(3,683)	4,556
Remeasurements of defined benefit plans	248	69
Share of other comprehensive income of entities accounted for using equity method	(5)	70
Total other comprehensive income	* (3,929)	* 4,812
Comprehensive income	(33,573)	(48,430)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(28,837)	(45,550)
Comprehensive income attributable to non-controlling interests	(4,735)	(2,879)

3) Consolidated Statements of Changes in Equity

Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,000	3,392	112,409	(28,309)	98,493
Cumulative effects of changes in accounting policies			(278)		(278)
Restated balance	11,000	3,392	112,131	(28,309)	98,214
Changes during period					
Issuance of new shares	4,000	4,000			8,000
Dividends of surplus			(1,900)		(1,900)
Profit (loss) attributable to owners of parent			(25,037)		(25,037)
Purchase of treasury shares					—
Disposal of treasury shares		(0)		434	434
Cancellation of treasury shares		(22)	(12,647)	12,670	—
Change in scope of consolidation			(323)		(323)
Purchase of treasury shares of consolidated subsidiaries					—
Capital increase of consolidated subsidiaries		24			24
Change in ownership interest of parent due to transactions under common control		56			56
Net changes in items other than shareholders' equity					—
Total changes during period	4,000	4,058	(39,908)	13,104	(18,745)
Balance at end of period	15,000	7,450	72,222	(15,204)	79,468

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,019	75	(2,626)	(187)	(1,719)	—	27,135	123,909
Cumulative effects of changes in accounting policies					—		(267)	(546)
Restated balance	1,019	75	(2,626)	(187)	(1,719)	—	26,868	123,363
Changes during period								
Issuance of new shares					—			8,000
Dividends of surplus					—			(1,900)
Profit (loss) attributable to owners of parent					—			(25,037)
Purchase of treasury shares					—			—
Disposal of treasury shares					—			434
Cancellation of treasury shares					—			—
Change in scope of consolidation					—			(323)
Purchase of treasury shares of consolidated subsidiaries					—			—
Capital increase of consolidated subsidiaries					—			24
Change in ownership interest of parent due to transactions under common control					—			56
Net changes in items other than shareholders' equity	(422)	(67)	(3,531)	220	(3,800)	178	(2,573)	(6,195)
Total changes during period	(422)	(67)	(3,531)	220	(3,800)	178	(2,573)	(24,941)
Balance at end of period	597	7	(6,157)	32	(5,519)	178	24,294	98,421

## Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,000	7,450	72,222	(15,204)	79,468
Cumulative effects of changes in accounting policies					—
Restated balance	15,000	7,450	72,222	(15,204)	79,468
Changes during period					
Issuance of new shares	6,048	6,048			12,097
Dividends of surplus					—
Profit (loss) attributable to owners of parent			(50,050)		(50,050)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(9)	200	190
Cancellation of treasury shares					—
Change in scope of consolidation					—
Purchase of treasury shares of consolidated subsidiaries		(0)			(0)
Capital increase of consolidated subsidiaries					—
Change in ownership interest of parent due to transactions under common control		(170)	112		(58)
Net changes in items other than shareholders' equity					—
Total changes during period	6,048	5,877	(49,947)	200	(37,821)
Balance at end of period	21,048	13,328	22,275	(15,004)	41,647

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	597	7	(6,157)	32	(5,519)	178	24,294	98,421
Cumulative effects of changes in accounting policies					—			—
Restated balance	597	7	(6,157)	32	(5,519)	178	24,294	98,421
Changes during period								
Issuance of new shares					—			12,097
Dividends of surplus					—			—
Profit (loss) attributable to owners of parent					—			(50,050)
Purchase of treasury shares					—			(0)
Disposal of treasury shares					—			190
Cancellation of treasury shares					—			—
Change in scope of consolidation					—			—
Purchase of treasury shares of consolidated subsidiaries					—			(0)
Capital increase of consolidated subsidiaries					—			—
Change in ownership interest of parent due to transactions under common control					—			(58)
Net changes in items other than shareholders' equity	116	(0)	4,298	85	4,499	(20)	(934)	3,545
Total changes during period	116	(0)	4,298	85	4,499	(20)	(934)	(34,275)
Balance at end of period	713	7	(1,859)	118	(1,020)	158	23,360	64,145

## 4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(33,101)	(51,008)
Depreciation	12,880	12,593
Impairment loss	5,320	2,459
Amortization of goodwill	802	817
Increase (decrease) in provision for bonuses	(4,448)	(272)
Increase (decrease) in provision for bonuses for directors (and other officers)	(199)	1
Increase (decrease) in retirement benefit liability	582	(317)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	8	12
Interest and dividend income	(1,325)	(847)
Share of loss (profit) of entities accounted for using equity method	194	548
Foreign exchange losses (gains)	247	(1,077)
Interest expenses	1,094	1,175
Loss (gain) on sale of investment securities	(1,085)	(988)
Loss (gain) on valuation of investment securities	837	1,595
Other loss (gain)	1,661	(441)
Decrease (increase) in trade receivables	33,117	(578)
Decrease (increase) in travel advance payments	44,113	(1,119)
Decrease (increase) in other assets	(69)	8,483
Increase (decrease) in trade payables	(28,060)	3,673
Increase (decrease) in accrued consumption taxes	(287)	27
Increase (decrease) in accrued expenses	(284)	1
Increase (decrease) in travel advances received	(77,912)	(620)
Increase (decrease) in other liabilities	(7,285)	(1,951)
Subtotal	(53,199)	(27,833)
Interest and dividends received	1,473	1,044
Interest paid	(1,097)	(1,237)
Income taxes refund (paid)	(4,894)	(370)
Net cash provided by (used in) operating activities	(57,718)	(28,397)

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(18,941)	(15,606)
Proceeds from withdrawal of time deposits	30,214	17,810
Purchase of securities	—	(116)
Proceeds from redemption of securities	—	104
Purchase of property, plant and equipment and intangible assets	(66,565)	(16,567)
Proceeds from sale of property, plant and equipment and intangible assets	1,862	8,515
Purchase of investment securities	(1,319)	(318)
Proceeds from sale of investment securities	6,299	823
Proceeds from redemption of investment securities	91	4,157
Purchase of shares of subsidiaries and associates	(693)	(144)
Proceeds from sale of shares of subsidiaries and associates	9	166
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(384)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	228
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(851)	—
Loan advances	(230)	(72)
Collection of loans receivable	1,347	686
Payments for guarantee deposits	(1,331)	(13,232)
Proceeds from refund of guarantee deposits	2,317	2,163
Revenue from redevelopment project	1,587	—
Other, net	(1,697)	4,692
Net cash provided by (used in) investing activities	(47,901)	(7,095)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	69,413	72,818
Repayments of short-term borrowings	(48,544)	(71,469)
Proceeds from long-term borrowings	5,712	39,465
Repayments of long-term borrowings	(38,232)	(1,693)
Dividends paid	(1,900)	—
Dividends paid to non-controlling interests	(439)	(9)
Proceeds from issuance of shares	7,728	11,994
Proceeds from share issuance to non-controlling shareholders	1,000	2,065
Proceeds from issuance of share acquisition rights	116	—
Redemption of bonds	—	(10,000)
Other, net	(456)	(2,458)
Net cash provided by (used in) financing activities	(5,602)	40,711
Effect of exchange rate change on cash and cash equivalents	(1,082)	2,415
Net increase (decrease) in cash and cash equivalents	(112,304)	7,633
Cash and cash equivalents at beginning of period	192,541	80,445
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	208	—
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(0)	—
Cash and cash equivalents at end of period	* 80,445	* 88,079

## Notes to Consolidated Financial Statements

[Going concern assumptions]

There are no applicable matters to report.

[Significant matters that serve as the basis for preparation of the consolidated financial statements]

### 1. Scope of consolidation

#### (1) Consolidated subsidiaries

The consolidated financial statements include the accounts of 140 subsidiaries of the Company. The names of principal subsidiaries are listed in the “3. Description of Business” section of “I. Overview of the Company, Part I Information on the Company.”

From the consolidated fiscal year ended October 31, 2021, SAS CEETIZ was added to the scope of consolidation through share acquisitions.

Consolidated subsidiaries INTERPARK TOUR JAPAN Co., Ltd. and four other companies were removed from the scope of consolidation as a result of the completion of liquidation proceedings.

Consolidated subsidiary Activity Japan Co., Ltd. was removed from the scope of consolidation following the sale of shares in the company.

Consolidated subsidiaries Higo Liquor Co., Ltd. and Hanamarudo Co., Ltd. were removed from the scope of consolidation as they ceased to exist following an absorption-type merger in which consolidated subsidiary Kyushu Sanko Retail Co., Ltd. was the surviving company.

Consolidated subsidiary Merit Travel Group (Quebec) Inc. was removed from the scope of consolidation as it ceased to exist following an absorption-type merger in which consolidated subsidiary Merit Travel Group Inc. was the surviving company.

#### (2) Non-consolidated subsidiaries

The Company has 40 non-consolidated subsidiaries. The principal non-consolidated subsidiary is listed below.

- H.I.S. Travel Limited

#### (3) Reason for exclusion of non-consolidated subsidiaries from consolidation

The size of each non-consolidated subsidiary is small, and their total assets, net sales, profit/loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. do not have a material effect on the consolidated financial statements.

### 2. Application of equity method

#### (1) Non-consolidated subsidiaries and associates accounted for by the equity method

The company applies the equity method to three associates. The names of the principal equity-method associates are listed in the “3. Description of Business” section under “I. Overview of the Company, Part I Information on the Company.”

In the consolidated fiscal year ended October 31, 2021, the Company removed Activity Japan Co., Ltd. from the scope of consolidation following the sale of shares in the company and included it in the scope of equity-method applicable companies.

H.I.F. Co., Ltd., previously an equity-method affiliate of the Company, has been removed from the scope of application of the equity method following the sale of shares in the company.

Sonco Gaming UK Ltd. and three other companies that previously were equity-method affiliates of the Company have been removed from the scope of application of the equity method following third-party allotments of new shares.

#### (2) Non-consolidated subsidiaries and associates not accounted for by the equity method

The profit/loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. of the 40 non-consolidated subsidiaries and the 20 associates not accounted for by the equity method are of such a level that removing them from the consolidated financial statements has only a negligible effect. Since they are not significant as a whole, they are excluded from the scope of equity-method applicable companies. The principal subsidiary in this category is listed below.

[Subsidiary]

- H.I.S. Travel Limited



### 3. Fiscal years, etc. of consolidated subsidiaries

Overseas consolidated subsidiaries have fiscal years ending on July 31.

Domestic consolidated subsidiary SYS Inc. has a fiscal year ending on August 31.

The following consolidated subsidiaries have fiscal years ending on September 30: (1) Overseas: Green World Hotels Co., Ltd.; HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI; DORAK HIS OTELCILIK VE TIC.A.S.; (2) Domestic: Orion Tour Co., Ltd.; Travel Marche Co., Ltd.; O.T.B. Co., Ltd.; Japan Holiday Travel Co., Ltd.; H.I.S. Okinawa Co., Ltd.; Huis Ten Bosch Co., Ltd.; HTB Tourism Co., Ltd.; Laguna Ten Bosch Co., Ltd.; The Watermark Hotel Nagasaki Co., Ltd.; H.I.S. Hotel Holdings Co., Ltd.; Aqua Ignis Taki Hotel Asset K.K.; Kyushu Sangyo Kotsu Holdings Co., Ltd.; Kyushu Sanko Bus Co., Ltd.; Kyushu Sanko Tourism Co., Ltd.; Kyushu Sanko Landmark Co., Ltd.; Kumamoto Ferry Co., Ltd.; Sanko Bus Co., Ltd.; Kyushu Sanko Auto Service Co., Ltd.; Kyushu Sanko Retail Co., Ltd.; KASSE JAPAN Co., Ltd.; Kyushu BM Service Co., Ltd.; Kyushu Sanko Planning Co., Ltd.; Kyushu Sanko Card Co., Ltd.; H.I.S. Energy Holdings Co., Ltd.; HTB ENERGY CO., LTD.; H.I.S. SUPER Power Co., Ltd.; H.I.S. SUPER Power LLC; H.S. Insurance Co., Ltd.; Huis Ten Bosch Technical Center Co., Ltd.; Nishihon Engineering Co., Ltd.; hapi-robo st, Inc.

In preparing its consolidated financial statements, the Company uses the year-end financial statements of these companies. However, adjustments are made for any significant transactions taking place between the respective fiscal year-ends of the consolidated subsidiaries and the consolidated closing date.

### 4. Accounting policies

#### (1) Valuation standard and method for significant assets

##### 1) Securities

Held-to-maturity securities

Stated at amortized cost.

Available-for-sale securities

Securities with a determinable fair market value

Stated at fair market value based on the market price, etc. on the fiscal closing date (with any unrealized gains or losses reported directly as a component of net assets, and the cost of securities sold generally calculated by the moving average method).

Securities without a determinable fair market value

Generally stated at cost using the moving average method.

##### 2) Derivatives

Stated at fair market value.

#### (2) Depreciation method for significant assets

##### 1) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries mainly apply the straight-line method for buildings (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016. For other property, plant and equipment, the declining balance method is applied. Overseas consolidated subsidiaries mainly apply the straight-line method.

The ranges of useful life for property, plant and equipment are mainly as shown below.

Buildings 2–65 years

Tools, furniture and fixtures 2–25 years

##### 2) Intangible assets (excluding leased assets)

The straight-line method is applied.

In addition, software used in-house is depreciated over its useful life (five years) based on the straight-line method.

##### 3) Leased assets

Leased assets are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual value.

- (3) Accounting standards for significant provisions
- 1) Allowance for doubtful accounts  
To prepare for losses from uncollectible receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.
  - 2) Provision for bonuses  
To provide for bonus payments to employees, a provision for bonuses is recorded based on estimated future payments.
  - 3) Provision for bonuses for directors (and other officers)  
To provide for bonus payments to Directors (and other officers), a provision for bonuses is recorded based on estimated future payments.
  - 4) Provision for retirement benefits for directors (and other officers)  
To prepare for retirement benefit payments to Directors (and other officers), a provision for retirement benefits for Directors (and other officers) is recorded in the amount based on the retirement benefit obligation at each fiscal year-end in accordance with the Internal Rules on Retirement Benefits for Directors (and Other Officers).
- (4) Accounting treatment method for retirement benefits
- 1) Method for period attribution of retirement benefit estimates  
In calculating the projected benefit obligation, the benefit formula standard is used as the basis for attributing projected retirement benefits to the period up to the year under review.
  - 2) Treatment method for actuarial gains (losses), prior service cost, and transition obligations  
Actuarial gains (losses) are mainly amortized collectively in the consolidated fiscal year following the year in which they were accrued.  
Prior service cost is amortized on a straight-line basis over a specified number of years within the average remaining service period of employees when the liability is incurred.  
Transition obligations are amortized on a straight-line basis over a specified number of years.
- (5) Standard for translation of significant foreign currency-denominated assets or liabilities into Japanese yen  
Monetary claims and liabilities denominated in foreign currency are translated into yen at the spot exchange rate prevailing on the fiscal closing date, and the difference arising from such translation is recorded as profit or losses. The assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rates prevailing on the fiscal closing date, and their revenues and expenses are translated into yen at the average exchange rate during the fiscal year, with the differences arising from such translation included in the foreign currency translation adjustment account and non-controlling interests under consolidated net assets.
- (6) Accounting method for significant hedging transactions
- 1) Hedging methods  
The Company in principle accounts for hedging transactions on a deferred basis. It applies the designated hedge accounting treatment (*furiate shori*) to forward exchange contracts and other items that qualify for designated hedge accounting, and the exceptional accounting treatment (*tokurei shori*) to interest rate swaps and other items that qualify for exceptional accounting.
  - 2) Hedging instruments and hedged items
    - a. Hedging instruments: Forward exchange contracts  
Hedged items: Foreign currency-denominated accounts receivables, foreign currency-denominated trade accounts payable
    - b. Hedging instruments: Interest rate swaps  
Hedged items: Borrowings
  - 3) Hedging policy  
The Company hedges against foreign exchange fluctuation risk and interest rate fluctuation risk in accordance with its internal Financial Risk Management Regulations.
  - 4) Evaluation of hedge effectiveness  
The effectiveness of hedging is assessed by comparing the cumulative total of the market fluctuations or the cash flow fluctuations for the hedged items with that of the market fluctuations or the cash flow fluctuations for the hedging instrument every six months, and analyzing the fluctuation amount, etc. for the two. However, the effectiveness of hedging is not evaluated for interest rate swaps subject to exceptional accounting treatment.
- (7) Scope of cash and cash equivalents in consolidated statement of cash flows  
Cash and cash equivalents consist of cash in hand, deposits drawable at any time, and any short-term investments that are readily convertible, are only exposed to negligible risk of change in value, and are redeemable in three months or less from each acquisition date.
- (8) Other significant matters that serve as the basis for preparation of the consolidated financial statements
- 1) Goodwill amortization and amortization periods  
Goodwill is amortized using the straight-line method over a reasonable number of years, not exceeding 20 years.
  - 2) Accounting for consumption taxes  
All accounting transactions are booked exclusive of consumption taxes or local consumption taxes.

[Significant accounting estimates]

1. Impact of the COVID-19 pandemic

In the consolidated fiscal year ended October 31, 2021, many countries around the world imposed restrictions on going out and travel due to the impact of the COVID-19 pandemic, and this depressed the transaction value of the H.I.S. Group. As a result, our consolidated net sales declined 311,720 million yen year on year to 118,563 million yen. The Group expects its corporate activities to be further affected in the future depending on the timing when these restrictions will be lifted.

Based on a survey about the timing of a recovery for travel demand conducted by the United Nations World Tourism Organization (UNWTO), etc., the Group expects the number of travelers in the Travel Business and Hotel Business to progressively recover from the spring of 2022, following a gradual resumption of cross-border movement. The impact of the COVID-19 pandemic on the Theme Park Business and other operations has been relatively mild, so the Group expects these businesses to recover ahead of the Travel Business.

In light of the above, the Group expects its net sales to broadly recover to 2019 levels in 2023.

The Group has compiled its accounting estimates based on the aforementioned assumptions.

2. Recoverability of deferred tax assets

(1) Amount recorded in consolidated financial statements

(Millions of yen)

	Year ended October 31, 2021
Deferred tax assets	11,135

(2) Other information related to estimates

i) Calculation method for the amount recorded in consolidated financial statements in the fiscal year under review

The H.I.S. Group recognizes deferred tax assets for tax loss carryforwards and deductible temporary differences to the extent that they are expected to reduce the amounts of future tax payments. If it determines that taxable income is likely to be generated, the Group reasonably estimates the timing and amounts of the future taxable income that is likely to be secured based on its future plans, and calculates the amounts.

ii) Main assumptions used in calculation of the amount recorded in consolidated financial statements in the fiscal year under review

In determining the recoverability of deferred tax assets as of October 31, 2021, the H.I.S. Group has taken into account the impact of the COVID-19 pandemic. It has estimated future taxable income based on the future plans of the Group, which are predicated on key assumptions such as when the pandemic will settle down and the number of travelers at such a time in the future.

iii) Impact on consolidated financial statements in the next fiscal year

If actual market conditions, the timing when the pandemic settles down, the number of travelers at such a time, or other factors worsen beyond the estimates of the management of the H.I.S. Group going forward, this may result in a reversal of deferred tax assets, and have an impact on the financial position and management performance of the Group.

3. Impairment of non-current assets

(1) Amounts recorded in consolidated financial statements

(Millions of yen)

	Year ended October 31, 2021
Property, plant and equipment	201,291
Intangible assets	20,107

(2) Other information related to estimates

i) Calculation method for the amount recorded in consolidated financial statements in the fiscal year under review

Based on the business segmentation, the H.I.S. Group groups assets by the smallest units that generate independent cash flow and for which income and expenditures can be continuously determined.

If indications of impairment of non-current assets are present, the Group determines the need to recognize impairment losses by comparing the total amount of undiscounted future cash flows generated from the relevant asset group against the book value. If, as a result of this determination, the Group deems it necessary to recognize impairment losses because the total amount of undiscounted future cash flows is below the book value, the Group reduces the book value to the recoverable value (either net sales value or use value, whichever is higher), and records the amount deducted from the book value as an impairment loss.

With respect to goodwill, if as a result of a comparison between the amount obtained by adding the book value before the deduction of calculated impairment losses for each asset group excluding goodwill to the book value of the goodwill, and the total amount of undiscounted future cash flows arising from the larger unit of operation, the latter is found to be below the former, the Group records an impairment loss.

- ii) Main assumptions used in calculation of the amount recorded in consolidated financial statements in the fiscal year under review

In determining whether indications of impairment of non-current assets were present as of October 31, 2021, the H.I.S. Group has taken into account the impact of the COVID-19 pandemic. It has estimated undiscounted future cash flows based on the future plans of the Group, which are predicated on key assumptions such as the timing when the pandemic will settle down and the number of travelers at such a time in the future.

- iii) Impact on consolidated financial statements in the next fiscal year

If actual market conditions, the timing when the pandemic settles down, the number of travelers at such a time, or other factors worsen beyond the estimates of the management of the H.I.S. Group going forward, this may result in the booking of impairment losses, and have an impact on the financial position and management performance of the Group.

#### 4. Valuation of investments in and loans issued to subsidiaries and associates

##### (1) Amounts recorded in consolidated financial statements

(Millions of yen)

	Year ended October 31, 2021
Shares of subsidiaries and associates	2,559
Investments in subsidiaries and associates	77
Short-term loans receivable from subsidiaries and associates	233
Long-term loans receivable from subsidiaries and associates	901
Allowance for doubtful accounts related to the above	(182)

##### (2) Other information related to estimates

- i) Calculation method for the amount recorded in consolidated financial statements in the fiscal year under review

For shareholdings and investments in subsidiaries and associates, if the actual value falls significantly below the book value, the H.I.S. Group records impairment charges except when there is sufficient proof of recoverability based on its future plans. For loans receivable from subsidiaries and associates, the Group considers the recoverability of each loan, and records allowances for doubtful accounts for estimated unrecoverable amounts.

- ii) Main assumptions used in calculation of the amount recorded in consolidated financial statements in the fiscal year under review

In valuing investments in and loans issued to subsidiaries and associates as of October 31, 2021, the H.I.S. Group has taken into account the impact of the COVID-19 pandemic. It has valued the recoverability of its shareholdings and investments in and its loans issued to subsidiaries and associates based on the future plans of such subsidiaries and associates, which are predicated on key assumptions such as when the pandemic is expected to settle down.

- iii) Impact on consolidated financial statements in the next fiscal year

If actual market conditions, the timing when the pandemic settles down, or other factors worsen beyond the estimates of the management of the subsidiaries and associates going forward, this may result in the booking of losses by the H.I.S. Group in the form of impairment charges on its shareholdings and investments in such subsidiaries and associates, or allowances for doubtful accounts against loans issued to such subsidiaries and associates, and this may have an impact on the financial position and management performance of the Group.

#### 5. Valuation of goodwill and intangible assets related to the Travel Business overseas

“Goodwill” and “intangible assets (other)” include 3,740 million yen in goodwill and 9,019 million yen in intangible assets recorded with the purchase of overseas subsidiaries affiliated with the Travel Business segment. Intangible assets mainly comprise customer-related assets and trademark rights recorded based on transactional relationships with major customers of overseas subsidiaries.

In determining whether indications of impairment of intangible assets are present, the H.I.S. Group has examined whether these assets have declined significantly in value since the time they were purchased based on the future plans of the overseas subsidiaries. Other information related to estimates for the valuation of such assets is the same as described in “3. Impairment of non-current assets.”

[Accounting standards not yet applied]

[Accounting Standard for Revenue Recognition]

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021, Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition, and in May 2014 published “Revenue from Contracts with Customers” (IFRS 15 at IASB, Topic 606 at FASB). Given that IFRS 15 was applicable to fiscal years beginning on or after January 1, 2018 and Topic 606 to fiscal years beginning after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) developed its comprehensive accounting standards for revenue recognition and published them along with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition was to establish accounting standards incorporating the basic principles of IFRS 15 as a starting point, from the perspective of comparability between financial statements, which has been one of the benefits of ensuring consistency with IFRS 15. Where there are items that should be considered to reflect business practices, etc. in Japan, alternative accounting treatments are to be added to the extent that comparability is not materially impaired.

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending October 31, 2022.

(3) Impact of application of the aforementioned accounting standards

The Company is currently evaluating the impact of applying the “Accounting Standard for Revenue Recognition,” etc. on its consolidated financial statements.

[Accounting Standard for Fair Value Measurement, etc.]

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019, Accounting Standards Board of Japan)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States provide similar detailed guidance on fair value measurement (IFRS 13 “Fair Value Measurement” under IFRS and Topic 820 “Fair Value Measurement” of the Accounting Standards Codification under U.S. accounting standards). Given this situation, the Accounting Standards Board of Japan (ASBJ) has announced the “Accounting Standard for Fair Value Measurement,” etc. after working to ensure consistency between Japanese and international accounting standards, mainly regarding guidance and disclosure concerning the fair value of financial instruments.

The basic objective of the ASBJ in developing the accounting standards for fair value measurement was to enhance comparability between financial statements of companies in Japan and abroad, through a unified measurement method. Accordingly, the accounting standard fundamentally incorporates all basic policies of IFRS 13. Further, where there are items that should be considered to reflect business practices, etc. in Japan, exceptional treatments are to be established for certain items to the extent that comparability is not materially impaired.

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending October 31, 2022.

(3) Impact of application of the aforementioned accounting standards

The impact from the application of the “Accounting Standard for Fair Value Measurement,” etc. on the Company’s consolidated financial statements has yet to be determined.

[Changes in presentation]

[Adoption of the Accounting Standard for Disclosure of Accounting Estimates]

The Company has adopted the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) starting from the consolidated financial statements at the end of the consolidated fiscal year ended October 31, 2021, and included notes to the “Significant accounting estimates” in the consolidated financial statements.

However, these notes do not present the information for the consolidated fiscal year ended March 31, 2020, in accordance with the transitional treatment prescribed in the proviso of Paragraph 11 of the accounting standard.

[Consolidated statement of cash flows]

“Proceeds from sale of shares of subsidiaries and associates,” which was included in “Other, net” under “Cash flows from investing activities” in the previous fiscal year, is reported as an independent item from the consolidated fiscal year ended October 31, 2021 due to its increased monetary significance.

To reflect this change in presentation, the 9 million yen in “Proceeds from sale of shares of subsidiaries and associates” included in “Other, net” under “Cash flows from investing activities” in the previous fiscal year has been restated as an independent item.

[Additional information]

[Transactions that grant Company shares to employees, etc. via a trust]

With the aim of offering its employees an incentive to enhance corporate value over the medium to long term, the Company engaged in transactions that grant Company shares to an Employee Stock Ownership Association via a trust. However, it discontinued the incentive plan in May 2021.

[Consolidated balance sheet]

\*1. Assets and liabilities recognized as financial transactions

In accordance with the “Practical Guidelines for Transferer Accounting Pertaining to Real Estate Securitization through Special Purpose Companies” (Japan Institute of Certified Public Accountants [JICPA], Accounting System Committee Report No. 15), the Company recognized the following assets and liabilities as financial transactions.

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Buildings	—	7,917
Land	—	24,445
Long-term borrowings	—	32,404

\*2. Pledged assets

Assets pledged as collateral are shown below.

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Cash and deposits	—	237
Buildings	22,103	21,364
Land	20,721	20,621
Property, plant and equipment (other)	0	0

Secured liabilities are shown below.

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Short-term borrowings	2,000	3,000
Current portion of long-term borrowings	1,209	1,214
Accounts payable - other	—	9
Long-term borrowings	24,182	23,143

The Company pledged cash and deposits of 1,396 million yen as collateral for bank guarantees in the consolidated fiscal year ended October 31, 2020. In the consolidated fiscal year ended October 31, 2021, it pledged cash and deposits of 446 million yen and long-term deposits of 4 million yen as collateral for bank guarantees.

3. Guarantee obligations

(1) The Company guarantees bank loans, etc. for the following company up to the amount shown below.

(Millions of yen)

Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
—	FLY HUB TRAVEL PTE. LTD. 1,500 thousand Singapore dollar (126 million yen)

(2) The Company guarantees business transaction payments for the following companies.

(Millions of yen)

Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
—	• Guarantee without specified amount
	LY-HIS Co., Ltd. Payment guarantee for trade payables
	FLY HUB TRAVEL PTE. LTD. Payment guarantee for trade payables

\*4. In accordance with the Act on Revaluation of Land, the Company revalued land owned for business use on March 31, 2000, and included the corresponding amounts in the items shown below.

	(Millions of yen)	
	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Land	4,600	4,513
Deferred tax liabilities	1,707	1,678

\*5. Committed credit line agreements

The Company concluded commitment credit line agreements with three banks to ensure efficient and stable procurement of working capital. Consolidated subsidiaries Kyushu Sangyo Kotsu Holdings Co., Ltd., KASSE JAPAN Co., Ltd., Japan Holiday Travel Co., Ltd., H.I.S. – MERIT TRAVEL INC., Miki Travel Agency E.U.R.L., and H.I.S. – RED LABEL VACATIONS INC. have concluded overdraft agreements with 17 banks to ensure efficient procurement of working capital. Unexecuted borrowings, etc. based on such overdraft and committed credit line agreements at the end of the consolidated fiscal years ended October 31, 2020 and October 31, 2021 are shown below.

	(Millions of yen)	
	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Maximum overdraft and committed credit line limits (total)	47,453	44,354
Outstanding borrowings	4,700	6,034
Difference	42,753	38,319

\*6. Financial covenants

Syndicated loans

- 1) Must maintain the net asset value on the consolidated balance sheet reported on the final day of each fiscal year at 75% or more of the net asset value on the consolidated balance sheet reported on the final day of the previous fiscal year.
- 2) May not record ordinary losses on the consolidated statement of income reported on the final day of each fiscal year for two consecutive years.

As of October 31, 2021, the financial covenants 1) and 2) above had both been breached, but the Company continued constructive discussions with the financial institutions (including agents) participating in the syndicated loans, and it believes it will be able to receive continued support in the future.

The balance of the long-term borrowings subject to the financial covenants is shown below.

	(Millions of yen)	
	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Long-term borrowings	34,500	34,500

\*7. Notable covenants attached to other obligations

(1) Unsecured bonds

Ensure the following two scenarios do not apply.

- 1) For bonds other than unsecured bonds, forfeiture of the benefit of time, or inability to repay such bonds when they are due.
- 2) Inability to fulfill payment obligations when the benefit of time has been forfeited for loan obligations other than bonds, or inability to fulfill payment for guarantee obligations assumed for bonds other than the Company's bonds or for other loan obligations, should such need arise. However, this will not apply if the total liabilities do not exceed 500 million yen.

The balance of the applicable unsecured bonds is shown below.

	(Millions of yen)	
	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Bonds payable (including current portion)	30,000	20,000



(2) Convertible bond-type bonds with share acquisition rights

Ensure the following scenario does not apply.

If the Company or a major subsidiary forfeits the benefit of time for a loan obligation other than the bonds in question, or does not fulfill payment for guarantee obligations assumed for other loans when such obligation arises. However, this will not apply if the total value of such obligations does not exceed 500 million yen or its equivalent in foreign currency.

The balance of the applicable convertible bond-type bonds with share acquisition rights is shown below.

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Convertible bond-type bonds with share acquisition rights	25,072	25,054

\*8. Reduction entries

The reduction entry amounts deducted from the acquisition cost of property, plant and equipment due to the acceptance of national subsidies, etc. and their corresponding breakdown are shown below.

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Buildings	84	34
Tools, furniture and fixtures	13	15
Property, plant and equipment (other)	404	599
Intangible assets (other)	1	1
Total	504	650

\*9. Other

Consolidated fiscal year ended October 31, 2020 (As of October 31, 2020)

3,138 million yen (30,000 thousand US dollar) of the 3,300 million yen in long-term loans receivable is owed by the Mongolia-based bank Khan Bank LLC. The bank is a consolidated subsidiary of Sawada Holdings Co., Ltd. (Representative Director and Chairman Hideo Sawada).

Consolidated fiscal year ended October 31, 2021 (As of October 31, 2021)

There are no applicable matters to report.

[Consolidated statement of income]

\*1. Selling, general and administrative expenses

Major cost items and amounts included under selling, general and administrative expenses are shown below.

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Payroll and allowances	40,107	30,126
Provision for bonuses	570	319
Provision for bonuses for directors (and other officers)	22	20
Retirement benefit expenses	1,039	827
Provision for retirement benefits for directors (and other officers)	45	46
Legal welfare expenses	5,666	4,366
Advertising expenses	8,025	5,852
Rent expenses on land and buildings (rent)	6,746	5,383
Depreciation and amortization	9,984	10,051
Provision of allowance for doubtful accounts	1,085	1,543

\*2. Gain on sale of non-current assets

The details of the sale of non-current assets are shown below.

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Buildings	—	531
Tools, furniture and fixtures	—	4
Land	—	1,005
Other	—	72

\*3 Subsidy income

Subsidy income mainly reflects employment adjustment subsidies received due to the application of special measures in connection with the COVID-19 pandemic, and subsidies received from the national and local governments.

\*4. Impairment loss

I. Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

In the consolidated fiscal year ended October 31, 2020, the H.I.S. Group mainly recorded impairment losses on the following assets.

Location	Usage	Item	Impairment loss (millions of yen)
Green World Hotels Co., Ltd. (Taipei, Taiwan)	—	Goodwill	1,218
Green World Hotels Co., Ltd. (Taipei, Taiwan)	Business assets	Building, other	516
GROUP MIKI HOLDINGS LIMITED (London, England)	Business assets	Leased assets, other	1,718
Kyushu Sanko Tourism Co., Ltd. (Aso, Kumamoto Prefecture, etc.)	Business assets	Construction in progress, other	1,240

Based on the business segmentation, the H.I.S. Group groups assets by the smallest units that generate independent cash flow and for which income and expenditures can be continuously determined.

Consolidated subsidiary Green World Hotels Co., Ltd. has seen its earnings sharply deteriorate due to the COVID-19 pandemic, and no longer expects to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it has written down its entire goodwill balance and reduced the book value of its buildings and other non-current assets to the recoverable amount, and recorded an impairment loss for these write-downs as an extraordinary loss. The recoverable value was determined based on the usable value derived from future occupancy rates and average room rates, and future cash flows were calculated using a discount rate of 3.71%.

Consolidated subsidiary GROUP MIKI HOLDINGS LIMITED has seen its earnings sharply deteriorate due to the COVID-19 pandemic, and no longer expects to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it has reduced the book value of subject assets to the recoverable amount, and recorded an impairment loss equivalent to the reduction as an extraordinary loss. As it does not anticipate future cash flows, it has valued the recoverable value at zero.

In addition, consolidated subsidiary Kyushu Sanko Tourism Co., Ltd. has cancelled the reconstruction of the Mt. Aso Ropeway, and therefore no longer expects to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it has reduced the book value of subject asset to the recoverable amount, and recorded an impairment loss equivalent to the reduction as an extraordinary loss. As it does not anticipate future cash flows, it has valued the recoverable value at zero.

## II. Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

In the consolidated fiscal year ended October 31, 2021, the H.I.S. Group mainly recorded impairment losses on the following assets.

Location	Usage	Item	Impairment loss (millions of yen)
H.I.S. Co., Ltd. (Tokyo, other)	Business assets	Building, other	256
GROUP MIKI HOLDINGS LIMITED (London, England)	Business assets	Goodwill	708
GROUP MIKI HOLDINGS LIMITED (London, England)	Business assets	Intangible assets (other), other	993
Huis Ten Bosch Co., Ltd. (Himeji, Hyogo Prefecture)	Business assets	Building, land, other	135
HTB ENERGY CO., LTD. (Fukuoka, Fukuoka Prefecture, other)	Business assets	Property, plant and equipment (other), other	243

Based on the business segmentation, the H.I.S. Group groups assets by the smallest units that generate independent cash flow and for which income and expenditures can be continuously determined.

For asset groups of branches the Group decided to close, it has reduced the book value to the recoverable amount, and recorded an impairment loss equivalent to the reduction as an extraordinary loss. Because the Group does not anticipate future cash flows, it has valued the recoverable value at zero.

Consolidated subsidiary GROUP MIKI HOLDINGS LIMITED has seen its earnings sharply deteriorate due to the COVID-19 pandemic, and no longer expects to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it has reduced the book value of subject assets to the recoverable amount, and recorded an impairment loss equivalent to the reduction as an extraordinary loss. As it does not anticipate future cash flows, it has valued the recoverable value at zero.

In addition, consolidated subsidiary Huis Ten Bosch Co., Ltd. renovated traditional Japanese folk houses it owns in Himeji to relaunch them as accommodation facilities or restaurants. However, its original business plan was difficult to implement due to the impact of the COVID-19 pandemic. As a result, the subsidiary decided to suspend the business, and it no longer expects to achieve the previously anticipated revenue levels. Accordingly, it has reduced the book value of subject assets to the recoverable amount, and recorded an impairment loss equivalent to the reduction as an extraordinary loss. In addition, it has measured the recoverable value of the assets based on their net realizable value, and valued them based on a real estate appraisal report.

Finally, consolidated subsidiary HTB ENERGY CO., LTD. has seen its earnings sharply deteriorate due to a sharp increase in costs, and no longer expects to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it has reduced the book value of subject assets to the recoverable amount, and recorded an impairment loss equivalent to the reduction as an extraordinary loss. As it does not anticipate future cash flows, it has valued the recoverable value at zero.

### \*5. Provision of allowance for doubtful accounts

Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

The Company has recorded long-term loans receivable from subsidiaries and associates as allowance for doubtful accounts.

### \*6. Losses from downtime

Losses from downtime are fixed costs (chiefly personnel expenses and depreciation) incurred during the period when operations at the Company's business facilities were temporarily suspended to prevent the spread of COVID-19.

\*7. Business structure improvement expenses

Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

Business structure improvement expenses are mainly expenses for personnel reductions and other measures to streamline the organizations of consolidated subsidiaries due to the impact of the COVID-19 pandemic and other factors.

[Consolidated statement of comprehensive income]

\* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Valuation difference on available-for-sale securities:		
Amount arising during the year	487	1,064
Reclassification adjustments	(1,084)	(878)
Before tax effect adjustment	(596)	186
Tax effect amount	174	(70)
Valuation difference on available-for-sale securities	(422)	116
Deferred gains or losses on hedges:		
Amount arising during the year	(95)	(1)
Reclassification adjustments	—	—
Before tax effect adjustment	(95)	(1)
Tax effect amount	30	0
Deferred gains or losses on hedges	(65)	(0)
Foreign currency translation adjustment:		
Amount arising during the year	(3,683)	4,556
Reclassification adjustments	—	—
Before tax effect adjustment	(3,683)	4,556
Tax effect amount	—	—
Foreign currency translation adjustment	(3,683)	4,556
Remeasurements of defined benefit plans:		
Amount arising during the year	70	163
Reclassification adjustments	256	(38)
Before tax effect adjustment	326	125
Tax effect amount	(78)	(56)
Remeasurements of defined benefit plans	248	69
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the fiscal year	(5)	61
Reclassification adjustments	—	9
Share of other comprehensive income of entities accounted for using equity method	(5)	70
Total other comprehensive income	(3,929)	4,812

[Consolidated statement of changes in equity]

Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

1. Type and number of issued shares and treasury shares

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock	68,522,936	5,246,000	5,000,000	68,768,936
Total	68,522,936	5,246,000	5,000,000	68,768,936
Treasury shares				
Common stock (Note)	11,132,098	—	5,142,850	5,989,248
Total	11,132,098	—	5,142,850	5,989,248

(Notes)

1. The increase of 5,246,000 issued shares (common stock) reflects an increase from the issuance of new shares through a third-party allotment.
2. The decrease of 5,000,000 issued shares (common stock) reflects a decrease from the cancellation of treasury shares.
3. The number of treasury shares (common stock) includes the Company shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust (55,100 shares as of October 31, 2020).
4. The decrease of 5,142,850 treasury shares (common stock) reflects a decrease of 5,000,000 shares from the cancellation of treasury shares, a decrease of 9,350 shares from the disposal of treasury shares as restricted stock compensation, and a decrease of 133,500 shares from the sale of shares from the H.I.S. Employee Stock Ownership Association Dedicated Trust to the H.I.S. Employee Stock Ownership Association.

2. Share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights				Balance at end of period (millions of yen)
			At beginning of period	Increase during period	Decrease during period	At end of period	
Filing Company (Parent company)	Fourth series of share acquisition rights (Note)	Common stock	—	8,700,300	—	8,700,300	123
	Share acquisition rights as stock options	Common stock	—	—	—	—	54
Total		—	—	8,700,300	—	8,700,300	178

(Note) The increase in the fourth series of share acquisition rights reflects the issuance of share acquisition rights.

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders held on January 29, 2020	Common stock	1,900	33.00	October 31, 2019	January 30, 2020

(Note) The total amount of dividends approved by a resolution at the General Meeting of Shareholders on January 29, 2020 includes 6 million yen in dividends for the Company shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust.

(2) Dividends whose record date falls in the consolidated fiscal year ended October 31, 2020 and whose effective date falls in the next consolidated fiscal year

There are no applicable matters to report as the Company did not pay a dividend in the relevant period.

Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

1. Type and number of issued shares and treasury shares

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock	68,768,936	7,200,300	—	75,969,236
Total	68,768,936	7,200,300	—	75,969,236
Treasury shares				
Common stock (Note)	5,989,248	31	67,181	5,922,098
Total	5,989,248	31	67,181	5,922,098

(Notes)

1. The increase of 7,200,300 issued shares (common stock) reflects an increase from the exercise of share acquisition rights.
2. The increase of 31 treasury shares (common stock) reflects an increase attributable to the purchase of shares less than one unit.
3. The decrease of 67,181 treasury shares (common stock) reflects a decrease of 12,021 shares from the disposal of treasury shares as restricted stock compensation, a decrease of 60 shares due to the sale of shares less than one unit, and a decrease of 55,100 shares from the sale of shares from the H.I.S. Employee Stock Ownership Association Dedicated Trust to the H.I.S. Employee Stock Ownership Association.

2. Share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights				Balance at end of period (millions of yen)
			At beginning of period	Increase during period	Decrease during period	At end of period	
Filing Company (Parent company)	Fourth series of share acquisition rights (Note)	Common stock	8,700,300	—	7,200,300	1,500,000	21
	Share acquisition rights as stock options	Common stock	—	—	—	—	136
Total		—	8,700,300	—	7,200,300	1,500,000	158

(Note) The decrease in the fourth series of share acquisition rights reflects the exercise of share acquisition rights. Following the exercise of the share acquisition rights, share capital and capital surplus increased by 6,048 million yen each. As a result, as of October 31, 2021, share capital and capital surplus amounted to 21,048 million yen and 13,328 million yen, respectively.

3. Dividends

(1) Dividends paid

There are no applicable matters to report as the Company did not pay a dividend in the relevant period.

(2) Dividends whose record date falls in the consolidated fiscal year ended October 31, 2021 and whose effective date falls in the next consolidated fiscal year

There are no applicable matters to report as the Company did not pay a dividend in the relevant period.

[Consolidated statement of cash flows]

\* Reconciliation of year-end balance of cash and cash equivalents and items in the consolidated balance sheet

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Cash and deposits account	95,234	101,411
Time deposits with maturities of more than three months	(14,788)	(13,332)
Cash and cash equivalents	80,445	88,079

[Lease transactions]

1. Finance leases

[Lessee]

Finance leases not involving transfer of ownership and leases of overseas subsidiaries subject to the IFRS 16 “Leases” standard

1) Leased asset details

(a) Property, plant and equipment

Primarily equipment (machinery and devices) supplied for business purposes, and property rents and other fees in hotel businesses of overseas subsidiaries subject to the IFRS 16 “Leases” standard

(b) Intangible assets

Software

2) Depreciation method for leased assets

As stated in the “(2) Depreciation method for significant assets” section in “4. Accounting policies” under “Significant matters that serve as the basis for preparation of the consolidated financial statements.”

2. Operating leases

[Lessee]

Future lease payables related to non-cancelable operating leases

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Due within one year	3,109	3,238
Due after one year	43,071	40,847
Total	46,180	44,085

[Lessor]

Future lease receivables related to non-cancelable operating leases

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Due within one year	547	529
Due after one year	3,486	2,951
Total	4,033	3,481



[Financial instruments]

1. Conditions of financial instruments

(1) Policy for handling financial instruments

The H.I.S. Group primarily uses short-term deposits for fund management. In addition, it uses loans from financial institutions, corporate bonds, and convertible bond-type bonds with share acquisition rights to procure funds. The Group's financial derivatives transactions include forward exchange contract transactions, etc. to mitigate the risks discussed below, crude oil price commodity swap transactions, and interest rate swap transactions to avoid fluctuation risk for interest rates on borrowings. There are no transactions entered into for speculative purposes.

(2) Type and risk of financial instruments

Notes and accounts receivable - trade (trade receivables) and other receivables are exposed to credit risk from customers.

Marketable and investment securities mainly consist of available-for-sale securities (bonds and stocks), which are exposed to the risk of market price fluctuations and credit risk from issuers.

Guarantee deposits are mainly held in connection with lease agreements for stores, and are exposed to credit risk from depositaries.

Trade accounts payable, accounts payable - other, income taxes payable, etc. (trade payables), and accrued consumption taxes are in principle paid within three months.

Borrowings, corporate bonds, convertible bond-type bonds with share acquisition rights, and lease obligations related to finance leases are mainly used to procure funding for working capital or capital expenditures. Borrowings with variable interest rates are exposed to risk from fluctuation in interest rates.

Monetary claims and liabilities denominated in foreign currencies are exposed to the risk of foreign exchange fluctuations, but such risk is in principle hedged using forward exchange contracts.

Derivatives transactions include forward exchange contracts, etc. aimed at mitigating the risk of foreign exchange fluctuations, crude oil price commodity swap transactions aimed at controlling the risk of fuel price fluctuations, and transactions to avoid the risk of fluctuations in interest rates paid on loans. For details on hedging instruments, hedged items, hedging policy, and the method for evaluating hedging effectiveness concerning hedge accounting, please refer to the aforementioned "(6) Accounting method for significant hedging transactions" section in "4. Accounting policies" under "Significant matters that serve as the basis for preparation of the consolidated financial statements."

(3) Risk management for financial instruments

1) Management of credit risk (risk that customers or counterparties may default)

In accordance with credit management policies, the Company screens new customers and periodically reviews credit limits, and aims to mitigate risk by conducting management of settlement dates and balances for various customers. A similar management is conducted by consolidated subsidiaries; they also have in place a management structure where transactions and events of certain degree of significance must be reported to or approved by the Company.

Credit risk for derivatives transactions is recognized as largely immaterial because these transactions are conducted only with financial institutions that have a high credit rating.

2) Management of market risk (risk of fluctuations in foreign exchange, interest rate, and fuel price)

For monetary claims and liabilities denominated in foreign currencies, the H.I.S. Group in principle uses forward exchange contracts to hedge against foreign exchange risk for major currencies.

For marketable and investment securities, the Group determines their fair market value and the financial position of the issuers on a quarterly basis. It also reviews its holdings on a continuing basis, taking into account the market conditions and the relationship with customers and business partners.

The basic policy regarding derivatives transactions that take the form of forward exchange contract transactions, etc. is that such transactions must be approved by the Board of Directors, and the execution and management of such transactions are handled by the Accounting Department of H.I.S. headquarters. The transaction balance and gains and losses must be periodically reported to the Board of Directors.

Derivatives transactions that take the form of crude oil price commodity swap transactions must be executed in accordance with internal regulations that stipulate transaction authority and other details.

3) Liquidity risk associated with capital procurement (risk of inability to make payments on due date)

The H.I.S. Group manages liquidity risk by preparing and updating a cash management plan as deemed appropriate and maintaining liquidity on hand in accordance with income and expenditure.

(4) Supplementary explanation of matters relating to fair value of financial instruments, etc.

Fair values of financial instruments include values based on market prices, and values obtained by a reasonable estimate when financial instruments do not have market prices. The fair value calculation reflects variable factors, and is therefore subject to change depending on different assumptions used. In addition, the derivatives contract amounts in the "Derivatives transactions" section are not necessarily indicative of the actual market risk associated with derivatives transactions.

2. Fair value of financial instruments, etc.

The amounts recorded on the balance sheet, fair values, and the differences between them are shown below. Items for which it is extremely difficult to determine market values are not included. (Refer to (Note: 2))

Consolidated fiscal year ended October 31, 2020 (As of October 31, 2020)

(Millions of yen)

	Amounts recorded on balance sheet	Fair value	Difference
(1) Cash and deposits	95,234	95,234	—
(2) Notes and accounts receivable - trade (*1)	14,614	14,614	—
(3) Trade accounts receivable	345	345	—
(4) Marketable and investment securities	5,436	5,436	—
Held-to-maturity securities	100	100	—
Available-for-sale securities	5,335	5,335	—
(5) Short-term loans receivable (*2)	337	337	—
(6) Short-term loans receivable from subsidiaries and associates (*2)	389	389	—
(7) Accounts receivable - other (*3)	11,914	11,914	—
(8) Long-term loans receivable (*4)	3,261	3,254	(7)
(9) Long-term loans receivable from subsidiaries and associates (*4)	588	588	—
(10) Guarantee deposits	5,888	5,818	(70)
Assets total	138,011	137,933	(77)
(1) Trade accounts payable	9,029	9,029	—
(2) Short-term borrowings	26,659	26,659	—
(3) Accounts payable - other	5,021	5,021	—
(4) Income taxes payable	1,159	1,159	—
(5) Accrued consumption taxes	686	686	—
(6) Bonds payable (including current portion)	30,000	30,171	171
(7) Convertible bond-type bonds with share acquisition rights	25,072	25,059	(13)
(8) Long-term borrowings (including current portion)	151,295	151,276	(19)
(9) Lease obligations (including current portion)	15,532	15,399	(132)
Liabilities total	264,457	264,463	5
Derivatives transactions (*5)	[16]	[16]	—

(\*1) Corresponding allowances for doubtful accounts are deducted from “notes and accounts receivable - trade.”

(\*2) Corresponding allowances for doubtful accounts are deducted from “short-term loans receivable” and “short-term loans receivable from subsidiaries and associates.”

(\*3) Corresponding allowances for doubtful accounts are deducted from “accounts receivable - other.”

(\*4) Corresponding allowances for doubtful accounts are deducted from “long-term loans receivable” and “long-term loans receivable from subsidiaries and associates.”

(\*5) Assets and liabilities accrued from derivatives transactions are presented on a net basis, and net liabilities are shown in square brackets.

	Amounts recorded on balance sheet	Fair value	Difference
(1) Cash and deposits	101,411	101,411	—
(2) Notes and accounts receivable - trade (*1)	15,443	15,443	—
(3) Trade accounts receivable	171	171	—
(4) Marketable and investment securities	2,106	2,106	—
Held-to-maturity securities	100	100	—
Available-for-sale securities	2,006	2,006	—
(5) Short-term loans receivable (*2)	3,473	3,473	—
(6) Short-term loans receivable from subsidiaries and associates (*2)	177	177	—
(7) Accounts receivable - other (*3)	7,098	7,098	—
(8) Long-term loans receivable (*4)	15	15	—
(9) Long-term loans receivable from subsidiaries and associates (*4)	540	540	—
(10) Guarantee deposits (*5)	16,859	16,805	(53)
Assets total	147,297	147,243	(53)
(1) Trade accounts payable	12,978	12,978	—
(2) Short-term borrowings	28,240	28,240	—
(3) Accounts payable - other	4,331	4,331	—
(4) Income taxes payable	529	529	—
(5) Accrued consumption taxes	624	624	—
(6) Bonds payable (including current portion)	20,000	20,093	93
(7) Convertible bond-type bonds with share acquisition rights	25,054	25,026	(28)
(8) Long-term borrowings (including current portion)	189,201	188,648	(553)
(9) Lease obligations (including current portion)	14,865	14,765	(100)
Liabilities total	295,826	295,237	(588)
Derivatives transactions (*6)	0	0	—

(\*1) Corresponding allowances for doubtful accounts are deducted from “notes and accounts receivable - trade.”

(\*2) Corresponding allowances for doubtful accounts are deducted from “short-term loans receivable” and “short-term loans receivable from subsidiaries and associates.”

(\*3) Corresponding allowances for doubtful accounts are deducted from “accounts receivable - other.”

(\*4) Corresponding allowances for doubtful accounts are deducted from “long-term loans receivable” and “long-term loans receivable from subsidiaries and associates.”

(\*5) Corresponding allowances for doubtful accounts are deducted from “guarantee deposits.”

(\*6) Assets and liabilities accrued from derivatives transactions are presented on a net basis, and net liabilities are shown in square brackets.

(Note) 1. Calculation of fair value of financial instruments; securities and derivatives transactions

#### Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade, (3) Trade accounts receivable, (5) Short-term loans receivable, (6) Short-term loans receivable from subsidiaries and associates, and (7) Accounts receivable - other

As these items are settled or repaid in a short period of time, their fair value is roughly equal to their book value and therefore determined based on the relevant book value.

(4) Marketable and investment securities

The calculation of the fair value of stocks is based on prices at the stock exchange. The calculation of the market value of bonds is based on the prices at the securities exchange or the prices presented by the counterparty financial institution. For information on securities based on purpose of holdings, please see the “Marketable securities” section.

(8) Long-term loans receivable and (9) Long-term loans receivable from subsidiaries and associates

The fair value of these items is the present value calculated by discounting future cash flows at an interest rate equal to an appropriate index such as the yield of government bonds plus the credit spread.

(10) Guarantee deposits

The fair value of guarantee deposits is the present value discounted by the risk-free rate.

#### Liabilities

(1) Trade accounts payable, (2) Short-term borrowings, (3) Accounts payable - other, (4) Income taxes payable, and (5) Accrued consumption taxes

As these items are settled in a short period of time, their fair value is roughly equal to their book value and therefore determined based on the relevant book value.

(6) Bonds payable, (7) Convertible bond-type bonds with share acquisition rights, (8) Long-term borrowings (including current portion), and (9) Lease obligations (including current portion)

The fair value of these items is their present value calculated by discounting the total amount of principal and interests at an assumed rate used for similar new issuances, new borrowings, or lease transactions.

#### Derivatives transactions

For information on derivatives transactions, please see the “Derivatives transactions” section.

(Note) 2. Financial instruments for which fair value is extremely difficult to determine

(Millions of yen)

Classification	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Marketable and investment securities		
Unlisted stocks, etc. (*1)	5,157	3,620
Shares of subsidiaries and associates		
Unlisted stocks, etc. (*2)	3,348	2,559
Investments in capital of subsidiaries and associates (*3)	20	77
Guarantee deposits (*4)	4,627	4,922

(\*1) “Unlisted stocks, etc.” under “Marketable and investment securities” have no market prices and it is deemed extremely difficult to determine their fair value. Accordingly, they are not included in “(4) Marketable and investment securities.”

(\*2) “Shares of subsidiaries and associates” are unlisted stocks, etc. without market prices and it is deemed extremely difficult to determine their fair value. Accordingly, they are not included in the previous table.

(\*3) Investments in capital of subsidiaries and associates have no market prices and it is deemed extremely difficult to determine their fair value. Accordingly, they are not included in the previous table.

(\*4) Guarantee deposits, for which redemption schedules cannot be reasonably assessed and are deemed extremely difficult to determine fair value, are not included in “(10) Guarantee deposits.”

(Note) 3. Redemption schedule for monetary claims and securities with maturity after the consolidated closing date  
Consolidated fiscal year ended October 31, 2020 (As of October 31, 2020)

(Millions of yen)

	1 year or less	1-5 years	5-10 years	Over 10 years
Cash and deposits	95,234	—	—	—
Notes and accounts receivable - trade	15,829	—	—	—
Trade accounts receivable	345	—	—	—
Marketable and investment securities				
Held-to-maturity securities				
(1) Bonds	—	110	20	—
Available-for-sale securities with maturities				
(1) Government and municipal bonds, etc.	—	—	—	—
(2) Corporate bonds	—	520	—	—
(3) Other	—	—	—	—
Short-term loans receivable	346	—	—	—
Short-term loans receivable from subsidiaries and associates	392	—	—	—
Accounts receivable - other	11,938	—	—	—
Long-term loans receivable	—	3,285	15	—
Long-term loans receivable from subsidiaries and associates	—	796	1,408	—

Repayment dates for guarantee deposits are deemed difficult to accurately determine. Accordingly, scheduled redemption amounts are not presented.

Consolidated fiscal year ended October 31, 2021 (As of October 31, 2021)

(Millions of yen)

	1 year or less	1-5 years	5-10 years	Over 10 years
Cash and deposits	101,411	—	—	—
Notes and accounts receivable - trade	16,718	—	—	—
Trade accounts receivable	171	—	—	—
Marketable and investment securities				
Held-to-maturity securities				
(1) Bonds	—	120	—	—
Available-for-sale securities with maturities				
(1) Government and municipal bonds, etc.	—	—	—	—
(2) Corporate bonds	—	—	—	—
(3) Other	—	—	—	—
Short-term loans receivable	3,479	—	—	—
Short-term loans receivable from subsidiaries and associates	233	—	—	—
Accounts receivable - other	7,536	—	—	—
Long-term loans receivable	—	39	27	—
Long-term loans receivable from subsidiaries and associates	—	898	2	—

Repayment dates for guarantee deposits are deemed difficult to accurately determine. Accordingly, scheduled redemption amounts are not presented.

(Note) 4. Repayment schedule for bonds payable, long-term borrowings, and lease obligations after the consolidated closing date  
 Consolidated fiscal year ended October 31, 2020 (As of October 31, 2020)

(Millions of yen)

	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	26,659	—	—	—	—	—
Bonds payable	10,000	—	—	15,000	—	5,000
Convertible bond-type bonds with share acquisition rights	—	—	—	—	25,000	—
Long-term borrowings (including current portion)	1,689	4,475	31,812	27,623	1,423	84,270
Lease obligations (including current portion)	2,462	2,236	2,095	1,739	1,340	5,658
Total	40,811	6,712	33,907	44,363	27,764	94,928

Consolidated fiscal year ended October 31, 2021 (As of October 31, 2021)

(Millions of yen)

	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	28,240	—	—	—	—	—
Bonds payable	—	—	15,000	—	—	5,000
Convertible bond-type bonds with share acquisition rights	—	—	—	25,000	—	—
Long-term borrowings (including current portion)	4,557	32,168	28,968	1,844	43,044	78,617
Lease obligations (including current portion)	2,454	2,282	1,990	1,548	1,341	5,247
Total	35,252	34,451	45,959	28,393	44,385	88,864

[Marketable securities]

1. Held-to-maturity securities

Consolidated fiscal year ended October 31, 2020 (As of October 31, 2020)

(Millions of yen)

	Type	Amounts recorded on balance sheet	Market value	Difference
Market value above balance sheet amount	(1) Bonds	—	—	—
	(2) Other	—	—	—
	Subtotal	—	—	—
Market value at or below balance sheet amount	(1) Bonds	100	100	—
	(2) Other	—	—	—
	Subtotal	100	100	—
Total		100	100	—

Corporate bonds (30 million yen recorded on the consolidated balance sheet) are not listed as they have no market prices and their fair values are deemed extremely difficult to determine.

Consolidated fiscal year ended October 31, 2021 (As of October 31, 2021)

(Millions of yen)

	Type	Amounts recorded on balance sheet	Market value	Difference
Market value above balance sheet amount	(1) Bonds	—	—	—
	(2) Other	—	—	—
	Subtotal	—	—	—
Market value at or below balance sheet amount	(1) Bonds	100	100	—
	(2) Other	—	—	—
	Subtotal	100	100	—
Total		100	100	—

Corporate bonds (20 million yen recorded on the consolidated balance sheet) are not listed as they have no market prices and their fair values are deemed extremely difficult to determine.

2. Available-for-sale securities

Consolidated fiscal year ended October 31, 2020 (As of October 31, 2020)

(Millions of yen)

	Type	Amounts recorded on balance sheet	Acquisition cost	Difference
Balance sheet amount above acquisition price	(1) Stocks	—	—	—
	(2) Bonds	—	—	—
	(3) Other	5,331	4,743	588
	Subtotal	5,331	4,743	588
Balance sheet amount at or below acquisition price	(1) Stocks	—	—	—
	(2) Bonds	—	—	—
	(3) Other	4	4	(0)
	Subtotal	4	4	(0)
Total		5,335	4,747	587

(Note) Unlisted stocks (5,127 million yen recorded on the consolidated balance sheet) have no market prices and are deemed extremely difficult to determine their fair values. Accordingly, they are not included in “Available-for-sale securities” in the table above.

Consolidated fiscal year ended October 31, 2021 (As of October 31, 2021)

(Millions of yen)

	Type	Amounts recorded on balance sheet	Acquisition cost	Difference
Balance sheet amount above acquisition price	(1) Stocks	11	11	0
	(2) Bonds	—	—	—
	(3) Other	1,990	960	1,030
	Subtotal	2,001	971	1,030
Balance sheet amount at or below acquisition price	(1) Stocks	4	4	(0)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	4	4	(0)
Total		2,006	976	1,030

(Note) Unlisted stocks (3,600 million yen recorded on the consolidated balance sheet) have no market prices and are deemed extremely difficult to determine their fair values. Accordingly, they are not included in “Available-for-sale securities” in the table above.

### 3. Available-for-sale securities sold

Consolidated fiscal year ended October 31, 2020 (As of October 31, 2020)

(Millions of yen)

Type	Proceeds from sale	Gains on sale	Losses on sale
(1) Stocks	1,049	513	—
(2) Other	5,250	572	—
Total	6,299	1,085	—

Consolidated fiscal year ended October 31, 2021 (As of October 31, 2021)

(Millions of yen)

Type	Proceeds from sale	Gains on sale	Losses on sale
(1) Stocks	102	102	—
(2) Other	4,875	886	—
Total	4,978	988	—

### 4. Held-to-maturity securities sold

(Millions of yen)

Type	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)		
	Cost of bonds sold	Proceeds from sale	Gains (losses) on sale
Corporate bonds	10	9	(0)

Reason for sale

The corporate bonds were sold in an effort to enhance asset efficiency following a review of shareholdings.

### 5. Securities for which impairment losses were recognized

In the consolidated fiscal year ended October 31, 2020, an impairment loss of 837 million yen was recognized for marketable securities.

In the consolidated fiscal year ended October 31, 2021, an impairment loss of 1,595 million yen was recognized for marketable securities.

Impairment losses are recorded when the market value of marketable securities drops below 50% of the acquisition cost, except in cases where the market value is expected to recover.



[Derivatives transactions]

1. Derivatives transactions for which hedge accounting is not applied

Currency-related transactions

Consolidated fiscal year ended October 31, 2020 (As of October 31, 2020)

(Millions of yen)

Classification	Transaction type	Contract amount, etc.	Contract amount, etc. over one year	Fair value	Unrealized gains (losses)
Off-market transactions	Forward exchange contracts				
	Sold				
	EUR	664	—	23	23
	Bought				
	USD	33	23	1	1
	SGD	34	34	1	1
	AUD	110	46	(3)	(3)
	CAD	1,675	—	(38)	(38)
	THB	3	—	(0)	(0)
Total		5,521	104	(18)	(18)

(Note) Calculation method of fair value

Fair value is calculated based on the price provided by counterparty financial institutions, etc.

Consolidated fiscal year ended October 31, 2021 (As of October 31, 2021)

(Millions of yen)

Classification	Transaction type	Contract amount, etc.	Contract amount, etc. over one year	Fair value	Unrealized gains (losses)
Off-market transactions	Forward exchange contracts				
	Bought				
	USD	10	—	11	0
Total		10	—	11	0

(Note) Calculation method of fair value

Fair value is calculated based on the price provided by counterparty financial institutions, etc.

2. Derivatives transactions for which hedge accounting is applied

Currency-related transaction

Consolidated fiscal year ended October 31, 2020 (As of October 31, 2020)

(Millions of yen)

Hedge accounting method	Transaction type	Major hedged items	Year ended October 31, 2020 (As of October 31, 2020)		
			Contract amount, etc.	Contract amount, etc. over one year	Fair value
Principle method	Forward exchange contracts				
	Bought	Trade accounts payable			
	USD		104	—	(1)
	AUD		71	—	2
CAD	13		—	0	
Total			189	—	1

(Note) Calculation method of fair value

Fair value is calculated based on the price, etc. provided by counterparty financial institutions, etc.

Consolidated fiscal year ended October 31, 2021 (As of October 31, 2021)

There are no applicable matters to report.

[Provision for employee retirement benefits]

1. Outline of adopted employee retirement benefit plans

The Company and some of its consolidated subsidiaries have adopted funded and unfunded defined benefit and defined contribution plans to cover retirement benefits for their employees.

Defined benefit corporate pension plans provide lump-sum retirement benefits or pension benefits based on salary and years of service.

Retirement lump-sum plans provide lump-sum retirement benefits based on salary and years of service.

The retirement lump-sum plans adopted by some consolidated subsidiaries calculate liabilities and expenses for retirement benefits using the simplified method.

2. Defined benefit plan

(1) Reconciliation of balance of retirement benefit obligation at beginning and end of the year

	(Millions of yen)	
	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Retirement benefit obligation at beginning of year	10,001	10,235
Service cost	1,096	1,078
Interest cost	21	32
Actuarial differences	(83)	(35)
Retirement benefits paid	(773)	(1,112)
Prior service costs incurred	14	—
Decline accompanying the transfer to defined contribution pension plans	(26)	(106)
Foreign currency translation gains (losses)	(14)	(462)
Projected benefit obligation at end of year	10,235	9,630

(Note) Certain consolidated subsidiaries use the simplified method to calculate projected benefit obligation.

(2) Reconciliation of balance of pension assets at beginning and end of the year

	(Millions of yen)	
	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Pension assets at beginning of year	2,815	2,856
Expected return on plan assets	46	41
Actuarial differences	0	127
Amount of employer contribution	158	142
Retirement benefits paid	(163)	(470)
Pension assets at end of year	2,856	2,698

(3) Reconciliation of balance of retirement benefit obligation and pension assets at end of fiscal year and retirement benefit liability and asset recorded on the consolidated balance sheet

	(Millions of yen)	
	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Retirement benefit obligation for funded plans	2,651	2,079
Pension assets	(2,856)	(2,698)
	(205)	(619)
Retirement benefit obligation for unfunded plans	7,584	7,550
Net liability and asset recorded on consolidated balance sheet	7,378	6,931
Retirement benefit liability	7,981	7,659
Retirement benefit asset	(602)	(727)
Net liability and asset recorded on consolidated balance sheet	7,378	6,931

## (4) Retirement benefit expenses and breakdown

	(Millions of yen)	
	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Service costs	1,096	1,078
Interest costs	21	32
Expected return on plan assets	(46)	(41)
Amortization of actuarial differences	254	(41)
Amortization of prior service costs	1	2
Retirement benefit expenses related to defined-benefit plans	1,326	1,031

(Note) The retirement benefit expenses incurred by consolidated subsidiaries that adopt a simplified method of calculation are included under service costs.

## (5) Adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) recorded as adjustments related to retirement benefits is shown below.

	(Millions of yen)	
	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Prior service costs	12	(2)
Actuarial differences	(339)	(122)
Total	(326)	(125)

## (6) Cumulative adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) recorded as cumulative adjustments related to retirement benefits is shown below.

	(Millions of yen)	
	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Unrecognized prior service costs	12	10
Unrecognized actuarial differences	(79)	(201)
Total	(66)	(191)

## (7) Items related to pension assets

## 1) Breakdown of principal pension assets

Main categories by percentage of total pension assets are shown below.

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Bonds	18%	19%
Stocks	21%	29%
Regular accounts	60%	51%
Other	1%	1%
Total	100%	100%

## 2) Method for setting long-term expected rate of return

When determining the long-term expected rate of return on pension assets, the Company considers the current and projected allocation of pension assets and the current and future long-term rates of return for the diverse assets that comprise its pension assets.

## (8) Basis for calculating actuarial differences

Basis for calculating principal actuarial differences

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Discount rate	0.1%–0.5%	0.2%–0.4%
Long-term expected rate of return on plan assets	2.0%	2.0%

### 3. Defined contribution plan

The defined contribution of the Company and its consolidated subsidiaries was 173 million yen for the consolidated fiscal year ended October 31, 2020 and 184 million yen for the consolidated fiscal year ended October 31, 2021.

[Stock options]

1. Amount and account of expenses related to stock options

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Selling, general and administrative expenses	54	82

2. Description, scale, and changes of stock options

(1) Description of stock options

	Third Series of Stock Options	Consolidated subsidiary Huis Ten Bosch Technical Center Co., Ltd.	Consolidated subsidiary Huis Ten Bosch Co., Ltd.
Category and number of grantees	Company Directors: 5 Company employees: 1,541 Subsidiary Directors: 44 Subsidiary employees: 200	Directors of said company: 4 Employees of said company; Directors and employees of said company's subsidiaries: 28	Directors of said company: 5 Employees of said company: 319
Number of stock options by stock type	Common stock: 900,500	Common stock: 64,700	Common stock: 121,100
Grant date	March 23, 2020	September 27, 2019	February 26, 2021
Conditions for vesting	<p>(1) Persons granted an allotment of the share acquisition rights (hereinafter, "Rights Holders") must be Directors or employees of the Company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors in any of the following cases or based on other justifiable reasons: resignations of Directors after their terms have expired, resignations in conjunction with an appointment as a Director, mandatory retirement for employees, and transfers prompted by an administrative order.</p> <p>(2) In the event of the death of a Rights Holder, the rights may not be exercised by the corresponding heir.</p> <p>(3) Other conditions are as stipulated in the share acquisition rights allotment agreement concluded between the Company and the Rights Holder.</p>	<p>(1) Persons granted an allotment of the share acquisition rights (hereinafter, "Rights Holders") must be Directors, corporate auditors, employees, or advisors of the company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors in any of the following cases or based on other justifiable reasons: resignations of Directors and corporate auditors after their terms have expired, and mandatory retirement for employees.</p> <p>(2) Common shares of the company must be listed on a financial instruments exchange.</p> <p>(3) In the event of the death of a Rights Holder, the rights may not be exercised by the corresponding heir.</p>	<p>(1) Common shares of the company must be listed on a Japanese stock exchange when the share acquisition rights are exercised.</p> <p>(2) Attendance of 80% or more of the number of working days prescribed by the company (exercise of rights under the Labor Standards Act or the Mariners Act is treated as attendance) in the period from February 26, 2021 to the day preceding the listing date.</p> <p>(3) Persons must be Directors or employees of the company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors of the company in any of the following cases or based on other justifiable reasons: resignations of Directors after their terms have expired, resignations in conjunction with an appointment as a Director, mandatory retirement for employees, and transfers prompted by an administrative order.</p> <p>(4) Persons must not have violated the provisions in the share acquisition rights allotment agreement.</p> <p>(5) In the event of the death of a person granted an allotment of the share acquisition rights, the rights may not be exercised by the corresponding heir.</p>
Requisite service period	Not specified	Not specified	Not specified
Exercisable period	April 1, 2023 to March 31, 2024	September 25, 2021 to September 24, 2029	Within the period from February 26, 2021 to February 25, 2030, the period from the day on which the company's common shares were listed on a Japanese stock exchange to the day on which three years have passed from the listing date.

(2) Scale of stock options and related changes

Changes in the scale of stock options that existed in the year ended October 31, 2021 are shown below. The number of stock options is presented as the number of underlying shares.

1) Number of stock options

	Third Series of Stock Options	Consolidated subsidiary Huis Ten Bosch Technical Center Co., Ltd.	Consolidated subsidiary Huis Ten Bosch Co., Ltd.
Non-vested (shares):			
As of October 31, 2020	900,500	64,700	—
Granted	—	—	121,100
Forfeited	—	—	—
Vested	—	—	—
Unvested	900,500	64,700	121,100

2) Price information

	Third Series of Stock Options	Consolidated subsidiary Huis Ten Bosch Technical Center Co., Ltd.	Consolidated subsidiary Huis Ten Bosch Co., Ltd.
Exercise price (yen)	1,387	1,450	2,664
Average share price at time of exercise (yen)	—	—	—
Fair value per share at grant date (yen)	291	—	—

3. Method for estimating fair value of stock options

Consolidated subsidiary (Huis Ten Bosch Co., Ltd.)

The fair value of the Huis Ten Bosch Co., Ltd. stock options granted in the consolidated fiscal year ended October 31, 2021 is estimated as follows.

Because the company has been a private company as of the time the stock options were granted, the stock options are valued based on intrinsic rather than fair value.

The valuation method for the company's shares, which forms the basis for the calculation of the intrinsic value of the stock options, is the discounted cash flow (DCF) method.

4. Method for estimating the number of stock options vested

Future forfeiture of stock options is not factored in because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

[Tax effect accounting]

1. Principal components of deferred tax assets and deferred tax liabilities are shown below.

	Year ended October 31, 2020 (As of October 31, 2020)	(Millions of yen) Year ended October 31, 2021 (As of October 31, 2021)
[Deferred tax assets]		
Tax loss carryforwards (Note 2)	9,520	22,170
Retirement benefit liability	1,969	2,044
Provision for retirement benefits for directors (and other officers)	71	75
Depreciation	2,362	524
Non-deductible asset retirement obligation expenses	196	117
Long-term accounts payable - other	101	96
Excess allowance for doubtful accounts	1,342	4,699
Provision for bonuses	171	162
Accrued enterprise taxes	74	70
Unsettled gift certificates	370	522
Accrued social insurance premiums	20	17
Subsidy income	481	478
Impairment losses	1,109	2,906
Loss on valuation of shares of subsidiaries	292	2,980
Other	1,799	1,951
Deferred tax assets subtotal	19,884	38,818
Valuation allowance pertaining to tax loss carryforwards (Note 2)	(1,116)	(15,942)
Valuation allowance pertaining to total future deductible temporary differences	(5,420)	(11,215)
Valuation allowance subtotal (Note 1)	(6,537)	(27,157)
Deferred tax assets total	13,347	11,660
[Deferred tax liabilities]		
Valuation difference on available-for-sale securities	(215)	(315)
Other	(145)	(209)
Deferred tax liabilities total	(360)	(525)
Deferred tax assets, net	12,986	11,135
[Deferred tax liabilities]		
Revaluation reserve for land	1,683	1,654
Unrealized losses on non-current assets	2,650	2,485
Other	1,093	1,160
Deferred tax liabilities total	5,427	5,300
[Deferred tax assets]		
Tax loss carryforwards (Note 2)	(359)	(1,904)
Retirement benefit liability	(183)	(181)
Provision for retirement benefits for directors (and other officers)	(8)	(7)
Other	(316)	(156)
Deferred tax assets subtotal	(868)	(2,250)
Valuation allowance pertaining to tax loss carryforwards (Note 2)	359	1,750
Valuation allowance pertaining to total future deductible temporary differences	120	182
Valuation allowance subtotal (Note 1)	479	1,932
Deferred tax assets total	(389)	(317)
Deferred tax liabilities, net	5,038	4,982

(Note 1) There has been a material change in the amount deducted from deferred tax assets (valuation allowance).

The change is mainly the result of an increase in the valuation allowance pertaining to tax loss carryforwards due to the impact of the COVID-19 pandemic.

(Note 2) Tax loss carryforwards and related deferred tax assets by carryforward period  
Consolidated fiscal year ended October 31, 2020 (as of October 31, 2020)

(Millions of yen)							
	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Tax loss carryforwards (Note 1)	—	—	0	23	32	9,823	9,879
Valuation allowance	—	—	(0)	(23)	(32)	(1,419)	(1,475)
Deferred tax assets	—	—	—	—	—	8,404	(Note 2) 8,404

(Notes)

1. Tax loss carryforward figures are the amount multiplied by the effective statutory tax rate.
2. For the tax loss carryforward of 9,879 million yen (amount multiplied by effective statutory tax rate), deferred tax assets of 8,404 million yen were recorded. No valuation allowance was recognized for the portion of this tax loss carryforward that is determined to be recoverable on the basis of projected future taxable income.

Consolidated fiscal year ended October 31, 2021 (as of October 31, 2021)

(Millions of yen)							
	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Tax loss carryforwards (Note 1)	—	—	4	30	3	24,036	24,074
Valuation allowance	—	—	(4)	(30)	(3)	(17,654)	(17,692)
Deferred tax assets	—	—	—	—	—	6,381	(Note 2) 6,381

(Notes)

1. Tax loss carryforward figures are the amount multiplied by the effective statutory tax rate.
2. For the tax loss carryforward of 24,074 million yen (amount multiplied by effective statutory tax rate), deferred tax assets of 6,381 million yen were recorded. No valuation allowance was recognized for the portion of this tax loss carryforward that is determined to be recoverable on the basis of projected future taxable income.

2. Major components of significant differences arising between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Notes have been omitted as the Company recorded a loss before income taxes.	Notes have been omitted as the Company recorded a loss before income taxes.

[Asset retirement obligations]

The overall value of asset retirement obligations is not significant, and is therefore omitted.



[Rental and other properties]

The Company and some of its consolidated subsidiaries own rental office buildings, rental condominiums, and rental commercial facilities in Kumamoto Prefecture and other regions, from which they generate rental income. In the fiscal year ended October 31, 2020, revenue from rental properties amounted to 1,076 million yen (rental income was recorded under net sales on the consolidated statement of income, and primary rental expenses were recorded under selling, general and administrative expenses). In the fiscal year ended October 31, 2021, revenue from rental properties totaled 469 million yen (rental income was recorded under net sales on the consolidated statement of income, and primary rental expenses were recorded under selling, general and administrative expenses). The amounts recorded on the consolidated balance sheet, increase or decrease during the year, and fair value of the rental properties are as follows.

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Amount on consolidated balance sheet		
Balance at beginning of period	50,559	54,714
Increase (decrease) during period	4,155	(7,408)
Balance at end of period	54,714	47,305
Fair value at end of period	59,401	52,573

(Notes)

1. The amount on the consolidated balance sheet is calculated by deducting the accumulated depreciation from the acquisition cost.
2. Fair value at the end of the fiscal year is calculated by the Company based on real estate appraisal standards (including those adjusted using relevant indexes, etc.).

[Segment information, etc.]

Segment information

1. Outline of reportable segments

The H.I.S. Group's reportable segments are constituent units of the Group for which separate financial information is available and which are evaluated regularly by the chief decision-making authority to determine the allocation of management resources and assess performance. The Group is composed of five businesses: the Travel Business, the Theme Park Business, the Hotel Business, the Kyushu Sanko Group, and the Energy Business, and is engaged in business activities by developing comprehensive domestic and overseas strategies. Accordingly, the Group designates the Travel Business, the Theme Park Business, the Hotel Business, the Kyushu Sanko Group, and the Energy Business as its reportable segments.

From the consolidated fiscal year ended October 31, 2020, the Group changed the name of the reportable segment previously presented as the Huis Ten Bosch Group to the Theme Park Business. This is only a change in name and has no impact on the segment data. In addition, from the consolidated fiscal year ended October 31, 2021, the Group has moved hapi-robo st, Inc. from the Theme Park Business to "Other" business segments, and The Watermark Hotel Nagasaki Co., Ltd. from the Hotel Business to the Theme Park Business. Segment information for the fiscal year ended October 31, 2020 has been prepared and is presented based on the reportable segment classification after the changes.

The Travel Business engages in the arrangement, planning, and sales of overseas and domestic travel products and peripheral operations. In the Theme Park Business, the Group owns and manages theme parks in Sasebo City, Nagasaki Prefecture and Gamagori City, Aichi Prefecture. The Hotel Business engages in hotel operations in Japan, Taiwan, the U.S., and Indonesia, as well as in ancillary businesses. The Kyushu Sanko Group, whose holding company is Kyushu Sangyo Kotsu Holdings Co., Ltd., is a segment of the H.I.S. Group that engages in vehicle transportation, real estate leasing, and other operations. The Energy Business engages in retail electricity sales and the development of new electric power including renewable energy, and operates ancillary businesses.

2. Calculation methods for net sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting methods used for reportable segments are roughly the same as those discussed under "Significant matters that serve as the basis for preparation of the consolidated financial statements."

Segment profit figures are operating profits.

Intersegment internal profits and transfers are based on market prices.

3. Information about net sales, profit (loss), assets, liabilities, and other items for each reportable segment  
Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

(Millions of yen)

	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Amount on consolidated financial statements (Note 3)
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Reportable segment total				
Net sales										
Sales to external customers	358,905	13,533	7,416	19,174	26,279	425,308	4,975	430,284	—	430,284
Intersegment sales/transfers	726	580	535	3	114	1,959	596	2,556	(2,556)	—
Total	359,631	14,113	7,952	19,177	26,393	427,268	5,571	432,840	(2,556)	430,284
Segment profit (loss)	(21,127)	(3,403)	(3,481)	(2,132)	163	(29,980)	1,299	(28,680)	(2,448)	(31,129)
Segment assets	134,533	44,994	83,870	57,953	15,585	336,937	22,250	359,187	55,416	414,604
Others										
Depreciation	4,476	1,931	3,197	2,036	46	11,688	318	12,007	431	12,438
Amortization of goodwill	606	—	56	—	45	708	93	802	—	802
Investment in entities accounted for using equity method	272	—	—	—	—	272	533	806	—	806
Increase in property, plant and equipment and intangible assets	3,639	6,307	12,661	3,326	420	26,355	4,727	31,082	26,615	57,697

(Notes)

1. “Other” refers to business segments such as the non-life insurance business and real estate business, etc. not included in the reportable segments.
2. The details of “Adjustments” are as follows:
  - (1) Adjustment on segment profit (loss) amounting to -2,448 million yen reflects corporate-wide expenses not allocated to each reportable segment, and refers to expenses at the parent company’s headquarter administration division, which are not attributable to reportable segments.
  - (2) Adjustment on segment assets amounting to 55,416 million yen includes -462 million yen in elimination of intersegment transactions, and corporate-wide assets of 55,878 million yen not allocated to each reportable segment. Corporate-wide assets refer to surplus fund management (cash and deposits, and securities) at the parent company, and assets of the administration division.
  - (3) Adjustment on depreciation amounting to 431 million yen is corporate-wide expenses not allocated to each reportable segment, and refers to depreciation at the parent company’s headquarter administration division, which is not attributable to the reportable segments.
  - (4) Adjustment on increase in property, plant and equipment and intangible assets amounting to 26,615 million yen is capital investment at the parent company, which is not attributable to the reportable segments.
3. Segment profit (loss) is adjusted with the operating profit in the consolidated financial statements.
4. EBITDA for each reportable segment is presented below.

(Millions of yen)

	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Other	Total
Segment profit (loss)	(21,127)	(3,403)	(3,481)	(2,132)	163	1,299	(28,680)
Depreciation and goodwill amortization	5,083	1,931	3,253	2,036	91	412	12,809
EBITDA (Note)	(16,044)	(1,471)	(227)	(95)	255	1,712	(15,871)

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

Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

(Millions of yen)

	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Amount on consolidated financial statements (Note 3)
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Reportable segment total				
Net sales										
Sales to external customers	42,918	14,593	4,494	16,358	37,233	115,598	2,965	118,563	—	118,563
Intersegment sales/transfers	110	533	262	4	117	1,028	735	1,764	(1,764)	—
Total	43,028	15,126	4,757	16,362	37,351	116,626	3,701	120,327	(1,764)	118,563
Segment profit (loss)	(38,336)	(3,559)	(5,868)	(2,712)	(10,264)	(60,741)	(981)	(61,723)	(2,335)	(64,058)
Segment assets	131,363	38,135	92,456	56,655	20,394	339,004	12,694	351,699	59,748	411,447
Others										
Depreciation	3,835	2,120	3,293	1,865	494	11,609	278	11,888	414	12,302
Amortization of goodwill	661	—	17	—	45	723	93	817	—	817
Investment in entities accounted for using equity method	328	—	—	—	—	328	0	328	—	328
Increase in property, plant and equipment and intangible assets	2,262	1,798	10,694	1,061	1,967	17,784	370	18,155	21	18,177

(Notes)

1. “Other” refers to business segments such as the non-life insurance business and real estate business, etc. not included in the reportable segments.
2. The details of “Adjustments” are as follows:
  - (1) Adjustment on segment profit (loss) amounting to -2,335 million yen reflects corporate-wide expenses not allocated to each reportable segment, and refers to expenses at the parent company’s headquarter administration division, which are not attributable to reportable segments.
  - (2) Adjustment on segment assets amounting to 59,748 million yen includes -468 million yen in elimination of intersegment transactions, and corporate-wide assets of 60,216 million yen not allocated to each reportable segment. Corporate-wide assets refer to surplus fund management (cash and deposits, and securities) at the parent company, and assets of the administration division.
  - (3) Adjustment on depreciation amounting to 414 million yen is corporate-wide expenses not allocated to each reportable segment, and refers to depreciation at the parent company’s headquarter administration division, which is not attributable to the reportable segments.
  - (4) Adjustment on increase in property, plant and equipment and intangible assets amounting to 21 million yen is capital investment at the parent company, which is not attributable to the reportable segments.
3. Segment profit (loss) is adjusted with the operating profit in the consolidated financial statements.
4. EBITDA for each reportable segment is presented below.

(Millions of yen)

	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Other	Total
Segment profit (loss)	(38,336)	(3,559)	(5,868)	(2,712)	(10,264)	(981)	(61,723)
Depreciation and goodwill amortization	4,496	2,120	3,310	1,865	540	372	12,705
EBITDA (Note)	(33,840)	(1,439)	(2,557)	(846)	(9,723)	(609)	(49,017)

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

Related information

Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

1. Information by product and service

This information has been omitted because similar information is included under the “Segment information, etc.” section.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
255,656	122,452	33,804	2,313	16,057	430,284

(2) Property, plant and equipment

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
172,999	7,274	15,599	11	6,325	202,211

3. Information by major customer

This information has been omitted as there were no sales from a single external customer accounting for 10% or more of net sales on the consolidated statement of income.

Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

1. Information by product and service

This information has been omitted because similar information is included under the “Segment information, etc.” section.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
105,522	6,692	3,310	54	2,983	118,563

(2) Property, plant and equipment

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
171,097	7,723	15,803	9	6,657	201,291

3. Information by major customer

This information has been omitted as there were no sales from a single external customer accounting for 10% or more of net sales on the consolidated statement of income.

Information regarding impairment loss on non-current assets by reportable segment  
 Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

(Millions of yen)

	Reportable segments						Other	Unallocated amounts and elimination	Total
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Reportable segment total			
Impairment loss	2,293	—	1,765	1,240	—	5,299	20	—	5,320

(Note) "Other" indicates figures for the non-life insurance and real estate businesses, etc.

Consolidated fiscal year ended October 31, 2021 (November 1, 2010 to October 31, 2021)

(Millions of yen)

	Reportable segments						Other	Unallocated amounts and elimination	Total
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Reportable segment total			
Impairment loss	2,039	135	18	—	243	2,437	22	—	2,459

(Note) "Other" indicates figures for the non-life insurance and real estate businesses, etc.

Information regarding amortization of goodwill and unamortized balance by reportable segment  
 Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

(Millions of yen)

	Reportable segments						Other (Note)	Unallocated amounts and elimination	Total
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Reportable segment total			
Amortization for the year ended October 31, 2020	606	—	56	—	45	708	93	—	802
Unamortized balance as of October 31, 2020	4,185	—	74	—	406	4,666	560	—	5,227

(Note) "Other" indicates figures for the non-life insurance and real estate businesses, etc.

Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

(Millions of yen)

	Reportable segments						Other (Note)	Unallocated amounts and elimination	Total
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Reportable segment total			
Amortization for the year ended October 31, 2021	661	—	17	—	45	723	93	—	817
Unamortized balance as of October 31, 2021	3,740	—	52	—	361	4,154	466	—	4,621

(Note) "Other" indicates figures for the non-life insurance and real estate businesses, etc.

Information regarding gain on bargain purchase by reportable segment  
 Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

There were no significant gains on bargain purchase to report.

Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

There were no significant gains on bargain purchase to report.

Related parties

1. Transactions with related parties

(1) Transactions between the Filing Company and related parties

(a) Non-consolidated subsidiaries of the Filing Company

Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

There are no applicable matters to report.

Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

There are no applicable matters to report.

(b) Directors (and other officers) and major shareholders of the Filing Company, etc. (only in the case of individuals)

Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

There are no applicable matters to report.

Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

Category	Name	Location	Paid-in capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction value (millions of yen)	Item	Balance at end of period (millions of yen)
Directors (and other officers) of the Company or their relatives	Hideo Sawada	—	—	Representative director of the Company	(Held) Direct 25.7	—	Collection of funds (Note 1)	1,795	—	—
							Receipt of interest (Note 1)	3	—	—
							Exercise of share acquisition rights (Note 2)	3,748	—	—

Conditions of transactions and policy for determining such conditions, etc.

(Notes)

- Received through the collection of funds and interest by Mr. Sawada, the guarantor, based on an agreement with a third party. In addition, the conditions of the transactions under this agreement are determined in the same way as conditions for general transactions.
- The exercise of share acquisition rights shows the portion of the share acquisition rights granted through a resolution of the Board of Directors at the meeting held on October 2, 2020 that was exercised in the fiscal year ended October 31, 2021. In addition, the transaction value column shows the amount obtained by multiplying the number of shares granted through the exercise of the share acquisition rights in the fiscal year ended October 31, 2021 by the amount payable.

## (2) Transactions between consolidated subsidiaries of the Filing Company and related parties

Directors (and other officers) and major shareholders of the Filing Company, etc. (only in the case of individuals)

Consolidated fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

Category	Name	Location	Paid-in capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction value (millions of yen)	Item	Balance at end of period (millions of yen)
Entities in which Directors (and other officers) of the Company or their relatives hold a majority of voting rights (including subsidiaries of such entities)	Kyoritsu Building Co., Ltd.	Shibuya-ku, Tokyo	10	Real estate rental management	—	Real estate leasing	Payment of rent (Notes 1, 2)	21	Prepaid expenses	0

Conditions of transactions and policy for determining such conditions, etc.

(Notes)

1. Transactions are governed by the same conditions as for unrelated parties.
2. The Company's representative director Hideo Sawada and his near relative own 100.0% of the voting rights of Kyoritsu Building, Co., Ltd.

Consolidated fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

Category	Name	Location	Paid-in capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction value (millions of yen)	Item	Balance at end of period (millions of yen)
Entities in which Directors (and other officers) of the Company or their relatives hold a majority of voting rights (including subsidiaries of such entities)	Kyoritsu Building Co., Ltd.	Shibuya-ku, Tokyo	10	Real estate rental management	—	Real estate leasing	Payment of rent (Notes 1, 2)	19	Prepaid expenses	0
Officer of the parent company	Hideo Sawada	—	—	Director of the parent company	—	—	Collection of funds (Note 3)	1,373	—	—
							Receipt of interest (Note 3)	2	—	—

Conditions of transactions and policy for determining such conditions, etc.

(Notes)

1. Transactions are governed by the same conditions as for unrelated parties.
2. The Company's representative director Hideo Sawada and his near relative own 100.0% of the voting rights of Kyoritsu Building, Co., Ltd.
3. Received through the collection of funds and interest by Mr. Sawada, the guarantor, based on an agreement with a third party. In addition, the conditions of the transactions under this agreement are determined in the same way as conditions for general transactions.

## 2. Notes concerning the parent company and significant associates

## (1) Information regarding the parent company

There are no applicable matters to report.

## (2) Summary of financial information for significant associates

There are no applicable matters to report.

[Per share information]

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Net assets per share	1,177.91 yen	580.00 yen
Earnings (loss) per share	(432.66) yen	(749.86) yen

(Notes)

1. The Company has introduced the E-Ship<sup>®</sup> trust-type employee stock ownership incentive plan, and it records the shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust as treasury shares in its consolidated financial statements. Accordingly, it includes these shares as treasury shares in its “treasury shares” count when calculating the “number of common stock of treasury shares at the end of the period” (55 thousand shares in the consolidated fiscal year ended October 31, 2020) applied in the calculation of net asset per share. Further, the Company discontinued the E-Ship<sup>®</sup> trust-type employee stock ownership incentive plan in May 2021.
2. Although there were dilutive shares, diluted earnings per share are not stated due to the recording of a loss per share.
3. The basis of calculation for earnings (loss) per share and diluted earnings per share is shown below.

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (millions of yen)	(25,037)	(50,050)
Amount not attributable to common shareholders (millions of yen)	—	—
Profit (loss) attributable to owners of parent with respect to common stock (millions of yen)	(25,037)	(50,050)
Average number of shares during the fiscal year (thousand shares)	57,869	66,745

(Note) The Company has introduced the E-Ship<sup>®</sup> trust-type employee stock ownership incentive plan, and it records the shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust as treasury shares in its consolidated financial statements. For this reason, it includes these shares as treasury shares in its “treasury shares” count when calculating the “average number of common stock during the period” (120 thousand shares in the consolidated fiscal year ended October 31, 2020, and 15 thousand shares in the consolidated fiscal year ended October 31, 2021). Further, the company discontinued the E-Ship<sup>®</sup> trust-type employee stock ownership incentive plan in May 2021.



[Important subsequent events]

Issuance of new shares and share acquisition rights through third-party allotments of new shares

At its Board of Directors meetings held on November 2, 2021, November 22, 2021, and December 13, 2021, the Company resolved to issue new shares and share acquisition rights through a total of three third-party allotments to Pacific Alliance Asia Opportunity Fund L.P. (hereinafter, "PAX") and Representative Director, Chairman and President Hideo Sawada. Further, the payments for the first, second, and third third-party allotments of new shares and share subscription rights were completed on November 22, 2021, December 13, 2021, and December 28, 2021, respectively.

An overview of the new shares and share subscription rights issued through the third-party allotments is shown below.

(1) Overview of new shares and share subscription rights issued through third-party allotments

Overview of the first third-party allotment

(Issuance of new shares)

(1)	Payment date	November 22, 2021
(2)	Number of newly issued shares	1,140,600 shares of common stock
(3)	Issue price	2,192 yen per share
(4)	Funds to be raised	2,500 million yen
(5)	Subscription or allotment method	Third-party allotment
(6)	Allottee	PAX
(7)	Total paid-in capital	1,250 million yen

(Issuance of share subscription rights)

(1)	Allotment date	November 22, 2021
(2)	Total number of share subscription rights	17,214 units (100 shares of common stock per share subscription right)
(3)	Issue price	3,258 yen per share subscription right
(4)	Number of dilutive shares from the issuance	1,721,400 shares
(5)	Funds to be raised	4,666 million yen (Breakdown) Share subscription rights issuance portion 56 million yen Share subscription rights exercise portion 4,610 million yen
(6)	Exercise price	2,678.5 yen per share
(7)	Subscription or allotment method (allottees)	Third-party allotment PAX 9,222 units Mr. Hideo Sawada 7,992 units
(8)	Exercise period	From November 24, 2021 to November 22, 2024

Overview of the second third-party allotment

(Issuance of new shares)

(1)	Payment date	December 13, 2021
(2)	Number of newly issued shares	1,210,700 shares of common stock
(3)	Issue price	2,065 yen per share
(4)	Funds to be raised	2,500 million yen
(5)	Subscription or allotment method	Third-party allotment
(6)	Allottee	PAX
(7)	Total paid-in capital	1,250 million yen

## (Issuance of share subscription rights)

(1)	Allotment date	December 13, 2021
(2)	Total number of share subscription rights	18,280 units (100 shares of common stock per share subscription right)
(3)	Issue price	2,957 yen per share subscription right
(4)	Number of dilutive shares from the issuance	1,828,000 shares
(5)	Funds to be raised	4,666 million yen (Breakdown) Share subscription rights issuance portion 54 million yen Share subscription rights exercise portion 4,612 million yen
(6)	Exercise price	2,523.4 yen per share
(7)	Subscription or allotment method (allottees)	Third-party allotment PAX 9,793 units Mr. Hideo Sawada 8,487 units
(8)	Exercise period	From December 14, 2021 to December 13, 2024

## Overview of the third third-party allotment

## (Issuance of new shares)

(1)	Payment date	December 28, 2021
(2)	Number of newly issued shares	1,540,400 shares of common stock
(3)	Issue price	1,623 yen per share
(4)	Funds to be raised	2,500 million yen
(5)	Subscription or allotment method	Third-party allotment
(6)	Allottee	PAX
(7)	Total paid-in capital	1,250 million yen

## (Issuance of share subscription rights)

(1)	Allotment date	December 28, 2021
(2)	Total number of share subscription rights	23,252 units (100 shares of common stock per share subscription right)
(3)	Issue price	2,380 yen per share subscription right
(4)	Number of dilutive shares from the issuance	2,325,200 shares
(5)	Funds to be raised	4,666 million yen (Breakdown) Share subscription rights issuance portion 55 million yen Share subscription rights exercise portion 4,611 million yen
(6)	Exercise price	1,983.3 yen per share
(7)	Subscription or allotment method (allottees)	Third-party allotment PAX 12,456 units Mr. Hideo Sawada 10,796 units
(8)	Exercise period	December 29, 2021 to December 28, 2024

(2) Specific use of funds to be raised

The Company plans to use the 21,445 million yen in proceeds raised (total amount net of expenses) for the following specific purposes.

Specific use	Amount (millions of yen)	Expected timeframe of expenditure
(1) Working capital	11,500	November 2021 to April 2022
(2) Reserves to repurchase headquarters	5,000	September 2026
(3) Redemption of bonds	Remainder after subtracting (1) and (2) from the proceeds	February 2024
Total	21,445	—

(Notes)

1. The procured funds will be managed as bank deposits until they are actually used.
2. The total proceeds raised will amount to 21,445 million yen, which is the amount remaining after subtracting the 55 million yen in estimated expenses associated with the issuance from the total amount payable of 21,500 million yen.
3. With regard to the specific use of the funds to be raised outlined above, the Company plan to prioritize the allocation of funds to working capital (item 1). In addition, if the total funds procured, etc. decreases, or if the Company is unable to procure the funds as scheduled due to the exercise conditions of the applicable share acquisition rights, it will consider supplementing the funds with proceeds from sale of its own asset holdings, or with loans from banks.

(3) View on reasonableness of use of funds

By allocating the funds raised through the third-party allotments to the purposes outlined in “(2) Specific use of funds to be raised,” the Company will aim to recover from the COVID-19 pandemic and drive subsequent growth, and work to enhance corporate value over the medium to long term. It believes that the issuance of the new shares and share subscription rights through third-party allotments is a reasonable action that will contribute to an improvement in shareholder value.

5) Consolidated Supplementary Financial Schedules  
Schedule of corporate bonds

Company	Issue	Issue date	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Interest rate (%)	Collateral	Maturity date
H.I.S. Co., Ltd.	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2024 (Note 2)	November 16, 2017	25,072	25,054	—	None	November 15, 2024
H.I.S. Co., Ltd.	Second series unsecured bonds	October 23, 2014	10,000 (10,000)	—	0.645	None	October 22, 2021
H.I.S. Co., Ltd.	Third series unsecured bonds	February 20, 2017	15,000	15,000	0.440	None	February 20, 2024
H.I.S. Co., Ltd.	Fourth series unsecured bonds	February 20, 2017	5,000	5,000	0.580	None	February 19, 2027
Total	—	—	55,072 (10,000)	45,054	—	—	—

(Notes)

1. Amounts in parentheses in the “Balance at beginning of period” column reflect the current portion of bonds. In addition, the Company redeemed the applicable bond on October 22, 2021.
2. An overview of bonds with share acquisition rights is shown below.

Shares to be issued	Common stock
Issue price of share acquisition rights (yen)	No charge
Issue price of new shares (yen)	5,604 [5,465.2]
Total issue amount (millions of yen)	25,000
Total issue amount for shares issued upon exercise of share acquisition rights (millions of yen)	—
Percentage of share acquisition rights granted	100%
Exercise period of share acquisition rights	From November 30, 2017 to November 1, 2024

The information above is as of the end of the fiscal year under review (October 31, 2021). If items have changed during the period from the end of the fiscal year under review to the end of the month preceding the filing date (December 31, 2021), the information as of the end of the month preceding the filing date is provided in square brackets. For other items, the information has not changed from the end of the fiscal year under review. When receiving a request from a person who intends to exercise the share acquisition rights above, in place of a payment owed to such person at maturity of bonds attached to the share acquisition rights, it will be deemed that such person has paid in full the amount payable upon exercise of the rights. When share acquisition rights are exercised, it shall be deemed that such a request has been received.

3. Redemption amounts within five years of the consolidated closing date are shown below.

(Millions of yen)

1 year or less	1–2 years	2–3 years	3–4 years	4–5 years
—	—	15,000	25,000	—

Schedule of borrowings, etc.

Classification	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	26,659	28,240	0.64	—
Current portion of long-term borrowings	1,689	4,557	0.52	—
Current portion of lease obligations	2,462	2,454	—	—
Long-term borrowings (excluding current portion)	149,605	184,643	0.83	2021–2041
Lease obligations (excluding current portion)	13,070	12,410	—	2021–2038
Other interest-bearing debt	—	—	—	—
Total	193,487	232,306	—	—

(Notes)

1. The average interest rate represents the weighted-average rate applicable to the balance of borrowings at the end of the fiscal year.
2. The average interest rate for lease obligations is not shown, as lease obligations recorded on the consolidated balance sheet are amounts prior to the deduction of the interest expense equivalent, which is included in total leasing fees.
3. Repayment amounts within five years of the consolidated closing date for long-term borrowings and lease obligations (excluding current portions) are shown below.

	(Millions of yen)			
	1–2 years	2–3 years	3–4 years	4–5 years
Long-term borrowings	32,168	28,968	1,844	43,044
Lease obligations	2,282	1,990	1,548	1,341

Schedule of asset retirement obligations

Asset retirement obligations at the beginning and end of the consolidated fiscal year ended October 31, 2021 are below 1% of the total liabilities and net assets at the beginning and end of the fiscal year ended October 31, 2021. The information is therefore omitted in accordance with the provisions in Article 92, Paragraph 2 of the Consolidated Financial Statement Regulations.

(2) Others

Quarterly information for the consolidated fiscal year ended October 31, 2021

[Cumulative period]	First quarter	Second quarter	Third quarter	Full year
Net sales (millions of yen)	36,193	64,983	88,071	118,563
Profit (loss) before income taxes (millions of yen)	(8,703)	(23,476)	(34,990)	(51,008)
Profit (loss) attributable to owners of parent (millions of yen)	(8,288)	(23,597)	(33,630)	(50,050)
Earnings (loss) per share (yen)	(132.00)	(367.97)	(511.46)	(749.86)

[Quarterly period]	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings (loss) per share (yen)	(132.00)	(235.04)	(145.03)	(234.40)

(Note) When calculating earnings (loss) per share, the “average number of common stock during the period” is calculated applying the “treasury shares” count that includes the Company shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust. Further, the E-Ship<sup>®</sup> trust-type employee stock ownership incentive plan was discontinued in May 2021.

## 2. Non-consolidated Financial Statements, etc.

### (1) Non-consolidated Financial Statements

#### 1) Non-consolidated Balance Sheet

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	25,245	40,687
Accounts receivable - trade	2,460	2,797
Trade accounts receivable	132	12
Travel advance payments	2,616	2,854
Prepaid expenses	610	606
Accrued income	159	182
Short-term loans receivable	8	158
Short-term loans receivable from subsidiaries and associates	210	255
Accounts receivable - other	5,951	1,800
Other	2,850	1,176
Allowance for doubtful accounts	(38)	(214)
Total current assets	40,207	50,318
Non-current assets		
Property, plant and equipment		
Buildings	13,806	* 1 12,047
Vehicles	15	0
Tools, furniture and fixtures	471	337
Land	33,962	* 1 28,787
Construction in progress	63	11
Other	11	6
Total property, plant and equipment	48,331	41,190
Intangible assets		
Trademark right	21	32
Telephone subscription right	82	82
Software	2,091	1,708
Other	7	12
Total intangible assets	2,202	1,835
Investments and other assets		
Investment securities	7,468	3,618
Shares of subsidiaries and associates	68,083	60,144
Investments in capital of subsidiaries and associates	1,342	1,331
Long-term loans receivable	148	51
Long-term loans receivable from subsidiaries and associates	75,284	94,941
Long-term prepaid expenses	57	37
Deferred tax assets	7,037	4,689
Guarantee deposits	6,031	17,337
Distressed receivables	448	766
Other	2,197	133
Allowance for doubtful accounts	(3,249)	(13,243)
Total investments and other assets	164,851	169,807
Total non-current assets	215,385	212,833
Deferred assets		
Share issuance costs	271	178
Bond issuance costs	81	55
Total deferred assets	353	233
Total assets	255,945	263,385

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Trade accounts payable	2,357	1,809
Short-term borrowings	20,000	20,000
Short-term borrowings from subsidiaries and associates	5,437	9,337
Current portion of bonds payable	*6 10,000	—
Current portion of long-term borrowings	242	3,000
Accounts payable - other	1,182	994
Accrued expenses	1,776	1,641
Income taxes payable	102	58
Travel advance received	7,943	5,455
Insurance deposits	20	28
Gift certificates	6,242	6,594
Provision for bonuses	22	8
Other	3,230	2,232
Total current liabilities	58,556	51,160
Non-current liabilities		
Bonds payable	*6 20,000	*6 20,000
Convertible bond-type bonds with share acquisition rights	*6 25,072	*6 25,054
Long-term borrowings	*5 122,500	*1, *5 154,904
Provision for retirement benefits	4,033	4,193
Long-term guarantee deposits	309	126
Other	796	683
Total non-current liabilities	172,712	204,962
Total liabilities	231,268	256,123
Net assets		
Shareholders' equity		
Share capital	15,000	21,048
Capital surplus		
Legal capital surplus	7,661	13,709
Total capital surpluses	7,661	13,709
Retained earnings		
Legal retained earnings	246	246
Other retained earnings		
General reserve	27,565	15,565
Retained earnings brought forward	(11,257)	(29,174)
Total retained earnings	16,554	(13,363)
Treasury shares	(15,204)	(15,004)
Total shareholders' equity	24,010	6,389
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	488	714
Deferred gains or losses on hedges	0	—
Total valuation and translation adjustments	488	714
Share acquisition rights	178	158
Total net assets	24,677	7,262
Total liabilities and net assets	255,945	263,385

## 2) Non-consolidated Statement of Income

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Net sales		
Overseas travel sales	130,827	4,926
Domestic travel sales	23,928	17,733
Other	4,506	4,033
Total net sales	*2 159,261	*2 26,694
Cost of sales		
Cost of overseas travel sales	115,994	3,698
Cost of domestic travel sales	21,235	15,064
Other	1,432	2,111
Total cost of sales	*2 138,662	*2 20,875
Gross profit	20,599	5,819
Selling, general and administrative expenses	*1 35,622	*1 28,064
Operating profit (loss)	(15,023)	(22,245)
Non-operating income		
Interest income	454	466
Dividend income	4,340	2,734
Foreign exchange gains	—	249
Other	264	154
Total non-operating income	*2 5,058	*2 3,604
Non-operating expenses		
Interest expenses	725	940
Foreign exchange losses	291	—
Commission expenses	30	349
Other	251	314
Total non-operating expenses	*2 1,298	*2 1,604
Ordinary profit (loss)	(11,263)	(20,245)
Extraordinary income		
Gain on sale of non-current assets	—	969
Gain on sale of investment securities	913	684
Gain on sale of shares of subsidiaries and associates	—	378
Subsidy income	*3 6,602	*3 10,916
Total extraordinary income	7,516	12,948
Extraordinary losses		
Impairment loss	*4 551	*4 256
Loss on valuation of investment securities	—	898
Loss on valuation of shares of subsidiaries and associates	—	*5 4,897
Provision of allowance for doubtful accounts	*6 1,398	*6 10,911
Losses from downtime	*7 3,908	*7 3,324
Total extraordinary losses	5,858	20,289
Profit (loss) before income taxes	(9,605)	(27,586)
Income taxes - current	160	74
Income taxes - deferred	(3,409)	2,247
Total income taxes	(3,249)	2,321
Profit (loss)	(6,355)	(29,908)



3) Non-consolidated Statement of Changes in Equity  
Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surpluses		Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of period	11,000	3,661	22	3,683	246	27,565	9,645	37,457
Changes during period								
Dividends of surplus				—			(1,900)	(1,900)
Reversal of general reserve				—				—
Profit (loss)				—			(6,355)	(6,355)
Issuance of new shares	4,000	4,000		4,000				—
Purchase of treasury shares				—				—
Disposal of treasury shares			(0)	(0)				—
Cancellation of treasury shares			(22)	(22)			(12,647)	(12,647)
Net changes in items other than shareholders' equity				—				—
Total changes during period	4,000	4,000	(22)	3,977	—	—	(20,902)	(20,902)
Balance at end of period	15,000	7,661	—	7,661	246	27,565	(11,257)	16,554

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(28,309)	23,831	837	72	910	—	24,741
Changes during period							
Dividends of surplus		(1,900)			—		(1,900)
Reversal of general reserve		—			—		—
Profit (loss)		(6,355)			—		(6,355)
Issuance of new shares		8,000			—		8,000
Purchase of treasury shares		—			—		—
Disposal of treasury shares	434	434			—		434
Cancellation of treasury shares	12,670	—			—		—
Net changes in items other than shareholders' equity		—	(349)	(71)	(421)	178	(243)
Total changes during period	13,104	178	(349)	(71)	(421)	178	(64)
Balance at end of period	(15,204)	24,010	488	0	488	178	24,677

Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Legal retained earnings	Retained earnings		
		Legal capital surplus	Total capital surpluses		Other retained earnings		Total retained earnings
				General reserve	Retained earnings brought forward		
Balance at beginning of period	15,000	7,661	7,661	246	27,565	(11,257)	16,554
Changes during period							
Dividends of surplus			—				—
Reversal of general reserve			—		(12,000)	12,000	—
Profit (loss)			—			(29,908)	(29,908)
Issuance of new shares	6,048	6,048	6,048				—
Purchase of treasury shares			—				—
Disposal of treasury shares			—			(9)	(9)
Cancellation of treasury shares			—				—
Net changes in items other than shareholders' equity			—				—
Total changes during period	6,048	6,048	6,048	—	(12,000)	(17,917)	(29,917)
Balance at end of period	21,048	13,709	13,709	246	15,565	(29,174)	(13,363)

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(15,204)	24,010	488	0	488	178	24,677
Changes during period							
Dividends of surplus		—			—		—
Reversal of general reserve		—			—		—
Profit (loss)		(29,908)			—		(29,908)
Issuance of new shares		12,097			—		12,097
Purchase of treasury shares	(0)	(0)			—		(0)
Disposal of treasury shares	200	190			—		190
Cancellation of treasury shares		—			—		—
Net changes in items other than shareholders' equity		—	226	(0)	225	(20)	205
Total changes during period	200	(17,620)	226	(0)	225	(20)	(17,414)
Balance at end of period	(15,004)	6,389	714	—	714	158	7,262

## Notes to Non-consolidated Financial Statements

### [Going concern assumptions]

There are no applicable matters to report.

### [Significant accounting policies]

#### 1. Valuation standard and method for securities

##### (1) Shares of subsidiaries and associates and investments in capital of subsidiaries and associates

Stated at cost using the moving average method.

##### (2) Available-for-sale securities

###### 1) Securities with a determinable fair market value

Stated at fair market value based on the market price, etc. on the fiscal closing date (with any unrealized gains or losses reported directly as a component of net assets, and the cost of securities sold calculated by the moving average method).

###### 2) Securities without a determinable fair market value

Stated at cost using the moving average method.

#### 2. Valuation standard and method for derivatives

Stated at fair market value.

#### 3. Depreciation method for non-current assets

##### (1) Property, plant and equipment (excluding leased assets)

The straight-line method is applied for buildings (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016, and the declining balance method for other property, plant and equipment.

The ranges of useful life for property, plant and equipment are mainly as shown below.

Buildings	3–50 years
-----------	------------

Tools, furniture and fixtures	3–20 years
-------------------------------	------------

##### (2) Intangible assets (excluding leased assets)

The straight-line method is applied.

In addition, software used in-house is depreciated over its useful life (five years) based on the straight-line method.

##### (3) Leased assets

Leased assets are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual value.

##### (4) Long-term prepaid expenses

The straight-line method is applied.

#### 4. Accounting method for deferred assets

##### (1) Share issuance costs

Share issuance costs are amortized by the straight-line method over three years.

##### (2) Bond issuance costs

Bond issuance costs are amortized in equal amounts over the period through redemption.

#### 5. Standard for translation of foreign currency-denominated assets or liabilities into Japanese yen

Monetary claims and liabilities denominated in foreign currency are translated into yen at the spot exchange rate prevailing on the fiscal closing date, and the difference arising from such translation is recorded as profit or losses.

#### 6. Accounting standards for provisions

##### (1) Allowance for doubtful accounts

To prepare for losses from uncollectible receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.

##### (2) Provision for bonuses

To provide for bonus payments to employees, a provision for bonuses is recorded based on estimated future payments.

##### (3) Provision for retirement benefits

To prepare for retirement benefit payments to employees, a provision for retirement benefits is recorded in the amount based on the retirement benefit obligation at the end of the fiscal year under review.

Actuarial gains or losses are treated as a lump-sum expense in the fiscal year following the year in which they arise.

#### 7. Accounting standard for recognition of revenues and expenses

Travel-related net sales and sales costs are recorded on the departure date.

## 8. Hedging methods

### (1) Hedging methods

The Company in principle accounts for hedging transactions on a deferred basis. It applies the designated hedge accounting treatment (*furiate shori*) to forward exchange contracts and other items that qualify for designated hedge accounting, and the exceptional accounting treatment (*tokurei shori*) to interest rate swaps and other items that qualify for exceptional accounting.

### (2) Hedging instruments and hedged items

#### a. Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency-denominated trade accounts payable

#### b. Hedging instruments: Interest rate swaps

Hedged items: Borrowings

### (3) Hedging policy

The Company hedges against foreign exchange fluctuation risk and interest rate fluctuation risk in accordance with its internal Financial Risk Management Regulations.

### (4) Evaluation of hedge effectiveness

The effectiveness of hedging is assessed by comparing the cumulative total of the market fluctuations or the cash flow fluctuations for the hedged items with that of the market fluctuations or the cash flow fluctuations for the hedging instrument every six months, and analyzing the fluctuation amount, etc. for the two. However, the effectiveness of hedging is not evaluated for interest rate swaps subject to exceptional accounting treatment.

## 9. Other significant matters for the preparation of non-consolidated financial statements

### (1) Accounting method for retirement benefits

Unrecognized actuarial differences, unrecognized prior service cost, and unsettled differences arising from transitional obligations related to retirement benefits are accounted for using a different method than in the consolidated financial statements.

### (2) Accounting for consumption taxes

All accounting transactions are booked exclusive of consumption taxes or local consumption taxes.

## [Significant accounting estimates]

### 1. Impact of the COVID-19 pandemic

In the fiscal year ended October 31, 2021, many countries around the world imposed restrictions on going out and travel due to the impact of the COVID-19 pandemic, and this depressed the transaction value of the Company. As a result, our non-consolidated net sales declined 132,567 million yen year on year to 26,694 million yen. The Company expects its corporate activities to be further affected in the future depending on the timing when these restrictions will be lifted.

Based on a survey about the timing of a recovery for travel demand conducted by the United Nations World Tourism Organization (UNWTO), etc., the Company expects the number of travelers to progressively recover from the spring of 2022, following a gradual resumption of cross-border movement, and it anticipates the number will broadly revert to 2019 levels in 2023.

The Company has compiled its accounting estimates based on the aforementioned assumptions.

### 2. Recoverability of deferred tax assets

#### (1) Amount recorded in non-consolidated financial statements

(Millions of yen)

	Year ended October 31, 2021
Deferred tax assets	4,689

#### (2) Other information related to estimates

##### i) Calculation method for the amount recorded in non-consolidated financial statements in the fiscal year under review

The Company recognizes deferred tax assets for tax loss carryforwards and deductible temporary differences to the extent that they are expected to reduce the amounts of future tax payments. If it determines that taxable income is likely to be generated, the Company reasonably estimates the timing and amounts of the future taxable income that is likely to be secured based on its future plan, and calculates the amounts.

##### ii) Main assumptions used in calculation of the amount recorded in non-consolidated financial statements in the fiscal year under review

In determining the recoverability of deferred tax assets as of October 31, 2021, the Company has taken into account the impact of the COVID-19 pandemic. It has estimated future taxable income based on its future plan, which is predicated on key assumptions such as when the pandemic will settle down and the number of travelers at such a time in the future.

iii) Impact on non-consolidated financial statements in the next fiscal year

If actual market conditions, the timing when the pandemic settles down, the number of travelers at such a time, or other factors worsen beyond the estimates of the management of the Company going forward, this may result in a reversal of deferred tax assets, and have an impact on the financial position and management performance of the Company.

3. Impairment of non-current assets

(1) Amounts recorded in non-consolidated financial statements

(Millions of yen)

	Year ended October 31, 2021
Property, plant and equipment	41,190
Intangible assets	1,835

(2) Other information related to estimates

i) Calculation method for the amount recorded in non-consolidated financial statements in the fiscal year under review

Based on the business segmentation, the Company groups assets by the smallest units that generate independent cash flow and for which income and expenditures can be continuously determined.

If indications of impairment of non-current assets are present, the Company determines the need to recognize impairment losses by comparing the total amount of undiscounted future cash flows generated from the relevant asset group against the book value. If, as a result of this determination, the Company deems it necessary to recognize impairment losses because the total amount of undiscounted future cash flows is below the book value, it reduces the book value to the recoverable value (either net sales value or use value, whichever is higher), and records the amount deducted from the book value as an impairment loss.

ii) Main assumptions used in calculation of the amount recorded in non-consolidated financial statements in the fiscal year under review

In determining whether indications of impairment of non-current assets were present as of October 31, 2021, the Company has taken into account the impact of the COVID-19 pandemic. It has estimated undiscounted future cash flows based on its future plan, which is predicated on key assumptions such as the timing when the pandemic will settle down and the number of travelers at such a time in the future.

iii) Impact on non-consolidated financial statements in the next fiscal year

If actual market conditions, the timing when the pandemic settles down, the number of travelers at such a time, or other factors worsen beyond the estimates of the management of the Company going forward, this may result in the booking of impairment losses, and have an impact on the financial position and management performance of the Company.

#### 4. Valuation of investments in and loans issued to subsidiaries and associates

##### (1) Amounts recorded in non-consolidated financial statements

(Millions of yen)

	Year ended October 31, 2021
Shares of subsidiaries and associates	60,144
Investments in subsidiaries and associates	1,331
Short-term loans receivable from subsidiaries and associates	255
Long-term loans receivable from subsidiaries and associates	94,941
Allowance for doubtful accounts related to the above	(12,642)

##### (2) Other information related to estimates

###### i) Calculation method for the amount recorded in non-consolidated financial statements in the fiscal year under review

For shareholdings and investments in subsidiaries and associates, if the actual value falls significantly below the book value, the Company records impairment charges except when there is sufficient proof of recoverability based on its future plan. For loans receivable from subsidiaries and associates, the Company considers the recoverability of each loan, and records allowances for doubtful accounts for estimated unrecoverable amounts.

###### ii) Main assumptions used in calculation of the amount recorded in non-consolidated financial statements in the fiscal year under review

In valuing investments in and loans issued to subsidiaries and associates as of October 31, 2021, the Company has taken into account the impact of the COVID-19 pandemic. It has valued the recoverability of its shareholdings and investments in and its loans issued to subsidiaries and associates based on the future plans of such subsidiaries and associates, which are predicated on key assumptions such as when the pandemic is expected to settle down.

###### iii) Impact on non-consolidated financial statements in the next fiscal year

If actual market conditions, the timing when the pandemic settles down, or other factors worsen beyond the estimates of the management of the subsidiaries and associates going forward, this may result in the booking of losses by the Company in the form of impairment charges on its shareholdings and investments in such subsidiaries and associates, or allowances for doubtful accounts against loans issued to such subsidiaries and associates, and this may have an impact on the financial position and management performance of the Company.

#### [Changes in presentation]

##### [Statement of income]

“Commission fees,” which were included in “Other” under “Non-operating expenses” in the previous fiscal year, are reported as an independent item from the fiscal year ended October 31, 2021 due to their increased monetary significance. To reflect this change in presentation, the amounts have been reclassified in the financial statements for the previous fiscal year.

As a result, the 281 million yen recorded in “Other” under “Non-operating expenses” in the statement of income of the previous fiscal year has been reclassified as 30 million yen in “Commission fees” and 251 million yen in “Other.”

#### [Adoption of the Accounting Standard for Disclosure of Accounting Estimates]

The Company has adopted the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) starting from the non-consolidated financial statements at the end of the fiscal year ended October 31, 2021, and included notes to the “Significant accounting estimates” in the non-consolidated financial statements.

However, these notes do not present the information for the fiscal year ended March 31, 2020, in accordance with the transitional treatment prescribed in the proviso of Paragraph 11 of the accounting standard.

#### [Additional information]

##### [Transactions that grant Company shares to employees, etc. via a trust]

Notes related to transactions that grant Company shares to an Employee Stock Ownership Association via a trust are omitted as they are identical to those in the “Additional information” section of “Notes to Consolidated Financial Statements.”

[Non-consolidated balance sheet]

\*1. Assets and liabilities recognized as financial transactions

In accordance with the “Practical Guidelines for Transferer Accounting Pertaining to Real Estate Securitization through Special Purpose Companies” (Japan Institute of Certified Public Accountants [JICPA], Accounting System Committee Report No. 15), the Company recognized the following assets and liabilities as financial transactions.

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Buildings	—	7,917
Land	—	24,445
Long-term borrowings	—	32,404

2. Contingent liabilities

(1) The Company guarantees bank loans, etc. for the following companies up to the amounts shown below.

Year ended October 31, 2020 (As of October 31, 2020)		Year ended October 31, 2021 (As of October 31, 2021)	
Green World Hotels Co., Ltd.	350,000 thousand TWD (1,277 million yen)	Green World Hotels Co., Ltd.	460,000 thousand TWD (1,876 million yen)
H.I.S. Hotel Holdings Co., Ltd.	235 million yen	HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	311,000 thousand yen 20,000 thousand TRY 414 thousand USD (596 million yen)
		H.I.S. Hotel Holdings Co., Ltd.	235 million yen
		H.I.S. Tours Co., Ltd.	50,000 thousand THB (171 million yen)
		FLY HUB TRAVEL PTE. LTD.	1,500 thousand SGD (126 million yen)
		Merit Travel Group Inc.	1,200 thousand CAD (110 million yen)
		H.I.S. – MERIT TRAVEL INC.	1,000 thousand CAD (91 million yen)
		H.I.S. INTERNATIONAL TOURS (NY) INC.	640 thousand USD (72 million yen)
		HAWAII HIS CORPORATION	340 thousand USD (38 million yen)
		HIS INTERNATIONAL TOURS FRANCE SAS	273 thousand EUR (36 million yen)
		H.I.S. Management Consulting DMCC	250 thousand USD (28 million yen)
		H.I.S. CANADA INC.	234 thousand CAD (21 million yen)
		HIS (HONG KONG) COMPANY LIMITED	1,040 thousand HKD (15 million yen)
		H I S TRAVEL & TOURISM L.L.C	100 thousand EUR (13 million yen)
		H.I.S. Travel Nederland B.V.	55 thousand EUR (7 million yen)
		H.I.S. TRAVEL (MALAYSIA) SDN BHD.	250 thousand MYR (6 million yen)
		H.I.S. (MACAU) TRAVEL COMPANY LIMITED	230 thousand HKD (3 million yen)

(2) The Company guarantees business transaction payments for the following companies.

Year ended October 31, 2020 (As of October 31, 2020)		Year ended October 31, 2021 (As of October 31, 2021)	
• Guarantee with specified amount		• Guarantee with specified amount	
QUALITA Co., Ltd.	35 million yen	QUALITA Co., Ltd.	35 million yen
Japan Holiday Travel Co., Ltd.	40 million yen	HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	2,000 thousand USD (227 million yen)
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	2,000 thousand USD (209 million yen)	H.I.S. Okinawa Co., Ltd.	22 million yen
H.I.S. Okinawa Co., Ltd.	22 million yen	HTB ENERGY CO., LTD.	2,130 million yen
HTB ENERGY CO., LTD.	2,130 million yen	H.I.S. SUPER Power Co., Ltd.	720 million yen
H.I.S. SUPER Power Co., Ltd.	720 million yen	TOUR WAVE CO., LTD	10 million yen
• Guarantee without specified amount		• Guarantee without specified amount	
QUALITA Co., Ltd.	Payment guarantee for trade payables	QUALITA Co., Ltd.	Payment guarantee for trade payables
LY-HIS Co., Ltd.	Payment guarantee for trade payables	LY-HIS Co., Ltd.	Payment guarantee for trade payables
H.I.S. Okinawa Co., Ltd.	Payment guarantee for trade payables	H.I.S. Okinawa Co., Ltd.	Payment guarantee for trade payables
H.I.S. Okinawa Co., Ltd.	Payment guarantee for office rent, etc.	HTB ENERGY CO., LTD.	Payment guarantee for trade payables
H.I.S. Hotel Holdings Co., Ltd.	Payment guarantee for business-use leasehold interest	FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables
HTB ENERGY CO., LTD.	Payment guarantee for office rent, etc.	H.I.S. Okinawa Co., Ltd.	Payment guarantee for office rent, etc.
H.I.S. SUPER Power Co., Ltd.	Payment guarantee for forward exchange contracts, etc.	H.I.S. Hotel Holdings Co., Ltd.	Payment guarantee for business-use leasehold interest
		HTB ENERGY CO., LTD.	Payment guarantee for office rent, etc.
		H.I.S. SUPER Power Co., Ltd.	Payment guarantee for forward exchange contracts, etc.

3. Monetary claims and obligations to subsidiaries and associates (excluding those separately disclosed)

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Short-term monetary claims	881	669
Long-term monetary claims	117	157
Short-term monetary obligations	743	602

4. Committed credit line agreements

The Company concluded commitment credit line agreements with three banks to ensure efficient and stable procurement of working capital. Unexecuted borrowings, etc. based on such committed credit line agreements at the end of the fiscal year ended October 31, 2021 are shown below.

(Millions of yen)

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Maximum overdraft and committed credit line limits (total)	36,000	33,000
Outstanding borrowings	—	—
Difference	36,000	33,000



\*5. Financial covenants

Syndicated loans

- 1) Must maintain the net asset value on the consolidated balance sheet reported on the final day of each fiscal year at 75% or more of the net asset value on the consolidated balance sheet reported on the final day of the previous fiscal year.
- 2) May not record ordinary losses on the consolidated statement of income reported on the final day of each fiscal year for two consecutive years.

As of October 31, 2021, the financial covenants 1) and 2) above had both been breached, but the Company continued constructive discussions with the financial institutions (including agents) participating in the syndicated loans, and it believes it will be able to receive continued support in the future.

The balance of the long-term borrowings subject to the financial covenants is shown below.

	(Millions of yen)	
	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Long-term borrowings	34,500	34,500

\*6. Notable covenants attached to other obligations

(1) Unsecured bonds

Ensure the following two scenarios do not apply.

- 1) For bonds other than unsecured bonds, forfeiture of the benefit of time, or inability to repay such bonds when they are due.
- 2) Inability to fulfill payment obligations when the benefit of time has been forfeited for loan obligations other than bonds, or inability to fulfill payment for guarantee obligations assumed for bonds other than the Company's bonds or for other loan obligations, should such need arise. However, this will not apply if the total liabilities do not exceed 500 million yen.

The balance of the applicable unsecured bonds is shown below.

	(Millions of yen)	
	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Bonds payable (including current portion)	30,000	20,000

(2) Convertible bond-type bonds with share acquisition rights

Ensure the following scenario does not apply.

If the Company or a major subsidiary forfeits the benefit of time for a loan obligation other than the bonds in question, or does not fulfill payment for guarantee obligations assumed for other loans when such obligation arises. However, this will not apply if the total value of such obligations does not exceed 500 million yen or its equivalent in foreign currency.

The balance of the applicable convertible bond-type bonds with share acquisition rights is shown below.

	(Millions of yen)	
	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Convertible bond-type bonds with share acquisition rights	25,072	25,054

[Non-consolidated statement of income]

\*1. Selling, general and administrative expenses comprised 82.8% selling expenses and 17.1% general and administrative expenses in the fiscal year ended October 31, 2020, and 75.1% and 24.9%, respectively, in the fiscal year ended October 31, 2021. Major cost items and amounts are shown below.

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Advertising expenses	2,891	2,845
Salaries and bonuses	17,151	13,733
Provision for bonuses	—	9
Retirement benefit expenses	680	515
Provision of allowance for doubtful accounts	50	558
Depreciation and amortization	1,771	1,527

\*2. Amount of transactions with subsidiaries and associates

(Millions of yen)

	Year ended October 31, 2020 (November 1, 2019 to October 31, 2020)	Year ended October 31, 2021 (November 1, 2020 to October 31, 2021)
Amount of operating transactions		
Net sales	5,174	548
Purchase of goods	31,470	3,291
Transaction amount for non-operating transactions		
Non-operating income	4,672	3,170
Non-operating expenses	5	15

\*3. Subsidy income

Subsidy income mainly reflects employment adjustment subsidies received due to the application of special measures in connection with the COVID-19 pandemic, and subsidies received from the national and local governments.

\*4. Impairment loss

Fiscal year ended October 31, 2020 (November 1, 2019 to October 31, 2020)

In the fiscal year ended October 31, 2020, the Company recorded impairment losses on the following assets.

Location	Usage	Item	Impairment loss (millions of yen)
Tokyo, etc.	Branches	Buildings, other	551

Based on the business segmentation, the Company groups assets by the smallest units that generate independent cash flow and for which income and expenditures can be continuously determined.

For asset groups of branches the Group decided to close, the book value was reduced to the recoverable amount, and an impairment loss equivalent to the reduction was recorded as an extraordinary loss. Because the Company does not anticipate future cash flows, it has valued the recoverable value at zero.

Fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

In the fiscal year ended October 31, 2021, the Company recorded impairment losses on the following assets.

Location	Usage	Item	Impairment loss (millions of yen)
Tokyo, etc.	Branches	Buildings, other	256

Based on the business segmentation, the Company groups assets by the smallest units that generate independent cash flow and for which income and expenditures can be continuously determined.

For asset groups of branches the Group decided to close, the book value was reduced to the recoverable amount, and an impairment loss equivalent to the reduction was recorded as an extraordinary loss. Because the Company does not anticipate future cash flows, it has valued the recoverable value at zero.

\*5. Loss on valuation of shares of subsidiaries and associates

Fiscal year ended October 31, 2021 (November 1, 2020 to October 31, 2021)

The Company has recorded losses on valuation of shares of subsidiaries and associates for consolidated subsidiaries GROUP MIKI HOLDINGS LIMITED and Japan Holiday Travel CO., LTD., etc.

\*6. Provision of allowance for doubtful accounts

The Company has recorded long-term loans receivable from subsidiaries and associates as allowance for doubtful accounts.

\*7. Losses from downtime

Losses from downtime are fixed costs (chiefly personnel expenses and depreciation) incurred during the period when operations at the Company's business facilities were temporarily suspended to prevent the spread of COVID-19.

[Marketable securities]

Fiscal year ended October 31, 2020 (As of October 31, 2020)

Shares of subsidiaries and associates (amounts recorded on balance sheet: shares of subsidiaries 67,832 million yen, shares of associates 251 million yen) have no market prices and are deemed extremely difficult to determine their fair value. Accordingly, they are not presented here.

Fiscal year ended October 31, 2021 (As of October 31, 2021)

Shares of subsidiaries and associates (amounts recorded on balance sheet: shares of subsidiaries 60,053 million yen, shares of associates 90 million yen) have no market prices and are deemed extremely difficult to determine their fair value. Accordingly, they are not presented here.

[Tax effect accounting]

1. Principal components of deferred tax assets and deferred tax liabilities are shown below.

	Year ended October 31, 2020 (As of October 31, 2020)	(Millions of yen) Year ended October 31, 2021 (As of October 31, 2021)
[Deferred tax assets]		
Tax loss carryforwards	4,703	8,503
Excess allowance for doubtful accounts	1,006	4,120
Provision for retirement benefits	1,235	1,284
Unsettled gift certificates	370	521
Subsidy income	475	458
Non-deductible asset retirement obligation expenses	192	115
Long-term accounts payable - other	101	96
Other	591	2,520
Deferred tax assets subtotal	8,676	17,621
Valuation allowance pertaining to tax loss carryforwards	(41)	(6,477)
Valuation allowance pertaining to total future deductible temporary differences	(1,381)	(6,138)
Valuation allowance subtotal	(1,423)	(12,616)
Deferred tax assets total	7,253	5,005
[Deferred tax liabilities]		
Valuation difference on available-for-sale securities	(215)	(315)
Other	(0)	-
Deferred tax liabilities total	(215)	(315)
Deferred tax assets, net	7,037	4,689

2. Major components of significant differences arising between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

	Year ended October 31, 2020 (As of October 31, 2020)	Year ended October 31, 2021 (As of October 31, 2021)
Effective statutory tax rate	Notes have been omitted as the Company recorded a loss before income taxes.	Notes have been omitted as the Company recorded a loss before income taxes.
[Adjustments]		
Non-deductible permanent differences such as entertainment expenses		
Non-taxable permanent differences such as dividend income		
Difference with year-earlier tax return		
Inhabitant tax on per capita basis		
Increase in valuation allowance		
Tax credits		
Other		
Actual effective tax rate after application of tax effect accounting		

[Important subsequent events]

The information on important subsequent events is the same as described in “Issuance of new shares and share acquisition rights through third-party allotments of new shares” under the “Important subsequent events” section of “Notes to Consolidated Financial Statements.”

4) Supplementary Schedule

Schedule for property, plant and equipment

(Millions of yen)

Classification	Asset type	Balance at beginning of period	Increase during period	Decrease during period	Depreciation during period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	13,806	110	1,356 (106)	511	12,047	1,994
	Vehicles	15	—	9	5	0	34
	Tools, furniture and fixtures	471	46	24 (18)	156	337	1,838
	Land	33,962	—	5,175	—	28,787	—
	Construction in progress	63	11	63	—	11	—
	Other	11	—	0	4	6	17
	Total	48,331	167	6,630 (125)	678	41,190	3,885
Intangible assets	Trademark right	21	15	—	4	32	—
	Telephone subscription right	82	—	—	—	82	—
	Software	2,091	537	6	914	1,708	—
	Other	7	8	—	4	12	—
	Total	2,202	561	6	923	1,835	—

(Notes)

1. The “Decrease during period” for buildings and land mainly reflects the sale of real estate holdings.
2. Figures in parentheses in the “Decrease during period” column reflect impairment losses recorded by the Company in the fiscal year ended October 31, 2021.

Schedule for provisions

(Millions of yen)

Classification	Balance at beginning of period	Increase during period	Decrease during period (due to intended usage)	Decrease during period (other)	Balance at end of period
Allowance for doubtful accounts (Note)	3,288	13,458	1,300	1,987	13,458
Provision for bonuses	22	8	22	—	8

(Note) The 1,987 million yen decrease in allowance for doubtful accounts under “Decrease during period (other)” is attributable to reversals.

(2) Major Assets and Liabilities

Notes are omitted as consolidated financial statements were prepared.

(3) Others

There are no applicable matters to report.

## VI. Stock-related Administration for the Company

Fiscal year	From November 1 to October 31
General Meeting of Shareholders	January
Record date	October 31
Record date for dividend of surplus	April 30 October 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	
Handling office	(Special account) Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Transfer agent	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Forward office	—
Purchasing and selling fee	None
Method of public notice	Public notice of the Company is given by electronic means. However, in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be made by publication in The Nihon Keizai Shimbun issued in Tokyo. URL for public notice: <a href="https://www.his.co.jp/">https://www.his.co.jp/</a>
Special benefit for shareholders	Every year, at the end of April and October, the Company issues shareholder benefits to all shareholders who own at least 100 shares and are recorded in the Shareholder Registry, based on the following criteria.  Shareholders owning 100 or more but fewer than 500 shares Two shareholder benefit coupons (corresponding to 2,000 yen)  Shareholders owning 500 or more but fewer than 1,000 shares Four shareholder benefit coupons (corresponding to 4,000 yen)  Shareholders owning 1,000 or more shares Six shareholder benefit coupons (corresponding to 6,000 yen)  Shareholders owning 100 or more shares One discounted admission ticket for Huis Ten Bosch and for Laguna Ten Bosch (500-yen discount per person; tickets can be used by up to five people).

## VII. Reference Information on the Company

### 1. Information on the Parent Company, etc. of the Company

The Company has no parent company.

### 2. Other Reference Information

The Company filed the following documents between the beginning of the fiscal year under review and the submittal of the Japanese version of this Securities Report.

- (1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof  
For the 40th fiscal year (from November 1, 2019 to October 31, 2020)  
Submitted to Director, Kanto Local Finance Bureau on January 28, 2021
- (2) Amended Annual Securities Report  
For the 40th fiscal year (from November 1, 2019 to October 31, 2020)  
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022
- (3) Internal Control Report and documents attached thereto  
Submitted to Director, Kanto Local Finance Bureau on January 28, 2021
- (4) Quarterly Securities Report and Confirmation Letter thereof  
For the first quarter of the 41st fiscal year (from November 1, 2020 to January 31, 2021)  
Submitted to Director, Kanto Local Finance Bureau on March 16, 2021  
For the second quarter of the 41st fiscal year (from February 1, 2021 to April 30, 2021)  
Submitted to Director, Kanto Local Finance Bureau on June 14, 2021  
For the third quarter of the 41st fiscal year (from May 1, 2021 to July 31, 2021)  
Submitted to Director, Kanto Local Finance Bureau on September 10, 2021
- (5) Amended Quarterly Securities Report and Confirmation Letter thereof  
For the first quarter of the 41st fiscal year (from November 1, 2020 to January 31, 2021)  
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022  
For the second quarter of the 41st fiscal year (from February 1, 2021 to April 30, 2021)  
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022  
For the third quarter of the 41st fiscal year (from May 1, 2021 to July 31, 2021)  
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022
- (6) Extraordinary Report  
Submitted to Director, Kanto Local Finance Bureau on December 11, 2020  
According to the provision of Article 19, Paragraph 2, Item 12 and Item 19 (booking of extraordinary income), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.  
Submitted to Director, Kanto Local Finance Bureau on January 28, 2021  
According to the provision of Article 19, Paragraph 2, Item 9-2 (result of exercise of voting rights at a general shareholders' meeting), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.  
Submitted to Director, Kanto Local Finance Bureau on March 15, 2021  
According to the provision of Article 19, Paragraph 2, Item 7 (absorption-type demerger), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.  
Submitted to Director, Kanto Local Finance Bureau on March 15, 2021  
According to the provision of Article 19, Paragraph 2, Item 12 and Item 19 (booking of extraordinary income), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.  
Submitted to Director, Kanto Local Finance Bureau on June 11, 2021  
According to the provision of Article 19, Paragraph 2, Item 12 and Item 19 (booking of extraordinary income and loss), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.  
Submitted to Director, Kanto Local Finance Bureau on September 10, 2021  
According to the provision of Article 19, Paragraph 2, Item 12 and Item 19 (booking of extraordinary income and loss), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.  
Submitted to Director, Kanto Local Finance Bureau on December 28, 2021  
According to the provision of Article 19, Paragraph 2, Item 12 and Item 19 (booking of extraordinary income and loss), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.  
Submitted to Director, Kanto Local Finance Bureau on December 28, 2021
- (7) Securities Registration Statement and documents attached thereto  
Submitted to Kanto Local Finance Bureau on November 2, 2021
- (8) Amended Statements for the Securities Registration Statement  
Submitted to Kanto Local Finance Bureau on November 22, 2021,  
December 13, 2021, and  
December 14, 2021.  
Amended Statements for the Securities Registration Statement submitted on November 2, 2021

- (9) Amended Statements for the Shelf Registration Statement  
Submitted to Kanto Local Finance Bureau on December 11, 2020,  
January 28, 2021,  
March 15, 2021,  
June 11, 2021,  
September 10, 2021, and  
December 28, 2021.  
Amended Statements for the Shelf Registration Statement submitted on March 13, 2020

## **Part II Information on Guarantors, etc. for the Company**

There are no applicable matters to report.



[English Translation of the Independent Auditor's Report Originally Issued in Japanese]

Independent Auditor's Report and Internal Control Audit Report

January 28, 2022

To the Board of Directors of  
H.I.S. Co., Ltd.

Deloitte Touche Tohmatsu LLC, Tokyo Office

Designated Limited Liability Partner  
and Engagement Partner

Certified Public Accountant: Koichi Kuse

Designated Limited Liability Partner  
and Engagement Partner

Certified Public Accountant: Takuya Inoue

[Audit of Financial Statements]

*Opinion*

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of H.I.S. Co., Ltd. and its subsidiaries included in the "Financial Information" section of the annual securities report for the fiscal year from November 1, 2020 to October 31, 2021, which comprise the consolidated balance sheets, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, the consolidated statements of cash flows, significant matters that serve as the basis for preparation of the consolidated financial statements, other notes, and consolidated supplementary financial schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of H.I.S. Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively referred to as the "Group") as of October 31, 2021, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting standards generally accepted in Japan.

*Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements for the fiscal year under review. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impact of the COVID-19 pandemic on financial reporting	
Description of key audit matter and reason for selection	How the key audit matter was addressed in our audit
<p>H.I.S. Co., Ltd. and its consolidated subsidiaries (hereinafter, the “H.I.S. Group”) have suffered a significant decline in net sales mainly due to the impact of a sharp drop in travel demand attributable to the COVID-19 pandemic. As a result, the H.I.S. Group recorded an operating loss of 31,129 million yen and a loss attributable to owners of parent of 25,037 million yen in the consolidated fiscal year ended October 31, 2020, and an operating loss of 64,058 million yen and a loss attributable to owners of parent of 50,050 million yen in the consolidated fiscal year ended October 31, 2021.</p> <p>The impact of the COVID-19 pandemic persisted as of October 31, 2021, and the Group has assessed the assumption of a going concern and compiled accounting estimates based on future plans that take into account such impact.</p> <p>[Management determination on whether significant uncertainty exists regarding the assumption of a going concern]</p> <p>The H.I.S. Group has continued to incur high operating losses and losses attributable to owners of parent since the consolidated fiscal year ended October 31, 2020. Consequently, as of October 31, 2021, there are deemed to be events or circumstances that may give rise to significant doubts regarding the Group’s ability to continue as a going concern pursuant to Audit and Assurance Practice Committee Statement No. 74 “Disclosure of the Going Concern Assumption.”</p> <p>To address this, management is reducing fixed costs and selling asset holdings such as securities and properties. In addition, at its Board of Directors meeting on November 2, 2021, the Group resolved to procure capital through third-party allotments of new shares, and it has requested its counterparty financial institutions to maintain its existing loan agreements (refinancing).</p> <p>Based on a cash management plan that reflects reasonable assumptions on when the COVID-19 pandemic will settle down and related countermeasures, management has determined that it can retain sufficient capital through October 31, 2022, and therefore deems that there should be no significant uncertainty about its ability to continue as a going concern.</p> <p>[Valuation of goodwill and intangible assets related to the Travel Business overseas]</p> <p>As described in the “Significant accounting estimates” section of “Notes to Consolidated Financial Statements,” “goodwill” and “intangible assets (other)” recorded on the consolidated balance sheet of the H.I.S. Group in the consolidated fiscal year ended October 31, 2021 include 3,740 million yen in goodwill and 9,019 million yen in intangible assets recorded with the purchase of overseas subsidiaries affiliated with the Travel Business segment. Intangible assets mainly comprise customer-related assets and trademark rights recorded based on transactional relationships with major customers of overseas subsidiaries.</p> <p>In determining whether indications of impairment are present, management has examined whether these assets have declined significantly in value since the time they were purchased based on the future plans of the overseas subsidiaries.</p> <p>[Assessment of recoverability of deferred tax assets]</p>	<p>In examining the key assumptions underpinning the Group’s future plans and cash management plan, which form the basis for the “Management determination on whether significant uncertainty exists regarding the assumption of a going concern,” the “Valuation of goodwill and intangible assets related to the Travel Business overseas,” and the “Assessment of recoverability of deferred tax assets,” we have mainly performed the following audit procedures.</p> <p>[Assessment of internal controls]</p> <ul style="list-style-type: none"> <li>● We have assessed the design and operating effectiveness of internal control systems related to future cash flows and taxable income projection processes, including the formulation of future plans. In making our assessment, we have concentrated particularly on controls related to projections of the timing when the COVID-19 pandemic will settle down and net sales will recover, which underpin the formulation of the Group’s future plans.</li> </ul> <p>[Examination of key assumptions underpinning future plans]</p> <ul style="list-style-type: none"> <li>● We have asked questions to the Representative Director and President and Directors in charge of specific businesses about their outlook for the travel market when and after the COVID-19 pandemic settles down, as well as about their outlook for the timing of a recovery in net sales at the H.I.S. Group.</li> <li>● We have examined the reasonableness of the key assumptions underpinning the future plans by comparing these to market projection reports of the International Air Transport Association (IATA), recovery scenarios released by multiple external organizations, and available recent external data.</li> <li>● We have assessed the presence or absence of biases in management’s estimates and the accuracy of these estimates based on the degree of achievement of targets in previous fiscal years. In addition, we have examined basic data underpinning future numerical targets, and examined their consistency with management’s assumptions.</li> </ul> <p>[Examination of cash management plan]</p> <ul style="list-style-type: none"> <li>● To examine the reliability of the basic data underpinning the cash management plan, we have examined consistency with the future plans approved by the Board of Directors while also taking into account the scenario for a settling down of the COVID-19 pandemic.</li> <li>● To confirm the authenticity of the fund procurement through third-party allotments of new shares that is considered in the cash management plan, we have examined the underwriting agreement concluded by the Company with Pacific Alliance Asia Opportunity Fund L.P. and documents that substantiate the payments.</li> <li>● To assess the reasonability of the assumption that the counterparty financial institutions will accept the request to maintain existing loan agreements, we implemented the following procedures.</li> </ul>

In its consolidated balance sheet for the consolidated fiscal year ended October 31, 2021, H.I.S. Co., Ltd. recorded 11,135 million yen in deferred tax assets. This amount included 4,689 million yen in deferred tax assets recorded by H.I.S. Co., Ltd. and 2,025 million yen in deferred tax assets for tax loss carryforwards as described in the "Tax effect accounting" section of "Notes to Non-Consolidated Financial Statements."

In assessing the recoverability of deferred tax assets, management has estimated future taxable income for the estimable period based on the future plan of H.I.S. Co., Ltd.

The assessment and accounting estimates related to the going concern assumption are predicated on future plans that factor in the impact of the COVID-19 pandemic. Within these, the assumptions regarding the timing of the COVID-19 pandemic settling down and the recovery in travel demand included in the future plan, as well as the feasibility of fund procurement and refinancing assumed in the cash management plan are particularly subject to high uncertainty and rely on the judgement of management, and these factors will have a major impact on estimates of future cash flows and future taxable income, as well as on cash management.

Accordingly, we considered this to be a key audit matter.

• We have asked questions to the Representative Director and President and the head of the Finance Division about the state of the negotiations with the counterparty financial institutions.

• Examined applicable loan agreements and minutes of Board of Directors meetings.

• Asked questions about support policies for the H.I.S. Group to the main counterparty financial institutions.

• To assess the impact of the uncertainty included in the cash management plan, we have independently estimated cash flows through October 31, 2022 after factoring in a certain degree of uncertainty into the cash management plan prepared by management. In addition, we have compared the balance of funds at the end of each month under our independent estimates against income/expense forecasts for the next month and the timing of incoming and outgoing funds during the month for each income/expense item, and examined whether they are sufficient.

Accounting irregularities at consolidated subsidiaries	
Description of key audit matter and reason for selection	How the key audit matter was addressed in the audit
<p>After it became apparent that consolidated subsidiaries Japan Holiday Travel Co., Ltd. and Miki Tourist Co., Ltd. had engaged in transactions suspected to be in violation of the rules of the “Go To Travel” subsidy program, the management of the Company established an investigation committee comprising attorneys and certified public accountants and launched an investigation on December 8, 2021, and it received the investigation report from the committee on December 24, 2021. Based on the report, it was found that transactions had taken place that were not eligible for “Go To Travel” subsidies due to the absence of actual hotel stays by guests, resulting in accounting irregularities such as the booking of net sales, “Go To Travel” subsidies, and travel vouchers that are accepted in all regions based on unsubstantiated transactions.</p> <p>Upon receiving the results of the investigation, the management of the Company took measures such as revising the accounting irregularities at the two consolidated subsidiaries and booking related reserves, and it filed amended quarterly securities reports for the first quarter to the third quarter of the fiscal year under review on January 28, 2022.</p> <p>To comprehensively ascertain the accounting irregularities at the two consolidated subsidiaries and confirm whether appropriate revisions have been made, it is necessary to examine factors such as the nature and causes of the accounting irregularities, the scope of the transactions involved in the accounting irregularities, the presence or absence of transactions that resemble those involved in the accounting irregularities, and the impact on related accounting items.</p> <p>These examinations require specialized knowledge related to fraud investigations and cautious judgment, and we have therefore considered this to be a key audit matter.</p>	<p>We have mainly performed the following audit procedures to comprehensively ascertain the accounting irregularities at consolidated subsidiaries Japan Holiday Travel Co., Ltd. and Miki Tourist Co., Ltd., and confirm whether appropriate revisions, etc. have been made.</p> <ul style="list-style-type: none"> <li>● To confirm whether the accounting irregularities have been comprehensively ascertained, we have, with the collaboration of experts in fraud investigations, examined the reliability of the investigation report prepared by the investigation committee from the following perspectives. <ul style="list-style-type: none"> <li>• Competence, independence, and business objectivity of the investigation committee members</li> <li>• Scope, performed procedures, results, and conclusions of the investigation as well as grounds for the investigation performed by the investigation committee</li> </ul> </li> <li>● With regard to journaling activities, such as accounting processes and the booking of related reserves at the two consolidated subsidiaries, we have examined whether the necessary corrective action has been comprehensively and accurately implemented based on the result of the investigation by the investigation committee.</li> <li>● We have performed the following procedures to confirm the absence of material misstatements originating from similar accounting irregularities. <ul style="list-style-type: none"> <li>• To confirm areas with potential material misstatements do not exist outside of the transactions in the incidents in question at the two consolidated subsidiaries, we have performed additional procedures such as a trend analysis for the financial statements and an inspection of journals and account statements.</li> <li>• To confirm whether material misstatements resulting from accounting irregularities similar to the incidents in question have occurred at H.I.S. Co., Ltd. or its domestic subsidiaries that engage in transactions related to the “Go To Travel” subsidy program, we have performed additional procedures such as an analysis of subsidy application contents and an inspection of journals and account statements.</li> </ul> </li> </ul>

#### *Responsibilities of the Management and the Audit & Supervisory Committee for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards generally accepted in Japan, and for the design and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

The Audit & Supervisory Committee is responsible for overseeing the Directors’ execution of duties within the design and operation of the financial reporting process.

#### *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements*

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional

skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists related to the Group's ability to continue as a going concern, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions regarding the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Among the matters deliberated with the Audit & Supervisory Committee, we have identified the matters that were of particular significance in the audit of the consolidated financial statements of the fiscal year under review as key audit matters, and describe these in the audit report. However, we do not describe such matters if laws or regulations prohibit disclosure regarding the matters, or if, in extremely rare circumstances, we determine that a matter should not be reported because the disadvantages of doing so would reasonably be expected to outweigh the public interests of such a communication.

[Audit of Internal Control]

#### *Opinion*

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the Internal Control Report of H.I.S. Co., Ltd. as of October 31, 2021.

In our opinion, the Internal Control Report above, which represents that the internal control over financial reporting as of October 31, 2021 of H.I.S. Co., Ltd. was not effective due to the presence of material deficiencies that require disclosure, presents fairly, in all material respects, the result of our assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Internal Control Audit" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the Internal Control Report in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Emphasis of Matter*

As described in the Internal Control Report, there are material deficiencies that require disclosure in certain companywide internal controls at H.I.S. Co., Ltd. and its consolidated subsidiaries. However, with the exception of matters of little significance, the necessary amendments originating from material deficiencies that require disclosure have all been reflected in the non-consolidated financial statements and the consolidated financial statements.

These have no impact on the audit of the financial statements.

### *Responsibilities of the Management and the Audit & Supervisory Committee for the Internal Control Report*

Management is responsible for the design and operation of internal control over financial reporting, and for the preparation and fair presentation of the Internal Control Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing and verifying the design and operation of the internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial reporting misstatements.

### *Auditor's Responsibilities for the Internal Control Audit*

Our responsibilities are to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement, and to express our opinion on the Internal Control Report from an independent perspective, based on our internal control audit.

In accordance with internal control auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the Internal Control Report. The procedures for the internal control audit are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Examine the overall presentation of the Internal Control Report in terms of scope, evaluation procedures, and conclusions of the evaluation of internal control over financial reporting, including the statements by management.
- Obtain sufficient and appropriate audit evidence related to the conclusions of the evaluation of internal controls over financial reporting in the Internal Control Report. We are responsible for the direction and supervision of the audit of the Internal Control Report. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of our audit of internal control, the results thereof, material weaknesses in internal control identified during our audit of internal control, and those that were remediated, and other matters required by internal control auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

### *Conflicts of Interest*

There are no conflicts of interest between the Company including the consolidated subsidiaries and Deloitte Touche Tohmatsu LLC or its Engagement Partners that should be disclosed in compliance with the Certified Public Accountants Act.

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(Notes) 1. The above is a digitization of the text contained in the original copy of the Audit Report, which is in custody of the Company.

2. XBRL data is excluded from the scope of the audit.

Independent Auditor's Report

January 28, 2022

To the Board of Directors of  
H.I.S. Co., Ltd.

Deloitte Touche Tohmatsu LLC, Tokyo Office

Designated Limited Liability Partner  
and Engagement Partner

Certified Public Accountant: Koichi Kuse

Designated Limited Liability Partner  
and Engagement Partner

Certified Public Accountant: Takuya Inoue

*Opinion*

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements of H.I.S. Co., Ltd. in the "Financial Information" section of the annual securities report for the fiscal year from November 1, 2020 to October 31, 2021, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, significant accounting policies, other notes, and supplementary schedules.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of H.I.S. Co., Ltd. as of October 31, 2021, and the results of its operations for the year then ended in conformity with accounting standards generally accepted in Japan.

*Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the non-consolidated financial statements for the fiscal year under review. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Impact of the COVID-19 pandemic on financial reporting

H.I.S. Co., Ltd. has suffered a significant decline in net sales mainly due to the impact of a sharp drop in travel demand attributable to the COVID-19 pandemic. As a result, the Company recorded an operating loss of 15,023 million yen and a net loss of 6,355 million yen in the fiscal year ended October 31, 2020, and an operating loss of 22,245 million yen and a net loss of 29,908 million yen in the fiscal year ended October 31, 2021.

The impact of the COVID-19 pandemic persisted as of October 31, 2021, and the Company has assessed the assumption of a going concern and compiled accounting estimates based on a future plan that takes into account such impact.

[Management determination on whether significant uncertainty exists regarding the assumption of a going concern]

H.I.S. Co., Ltd. has continued to incur high operating losses and net losses since the fiscal year ended October 31, 2020. Consequently, as of October 31, 2021, there are deemed to be events or circumstances that may give rise to significant doubts regarding the Company's ability to continue as a going concern pursuant to Audit and Assurance Practice Committee Statement No. 74 "Disclosure of the Going Concern Assumption."

To address this, management is reducing fixed costs and selling asset holdings such as securities and properties. In addition, at its Board of Directors meeting on November 2, 2021, the Company resolved to procure capital through third-party allotments of new shares, and it has requested its counterparty financial institutions to maintain its existing loan agreements (refinancing).

Based on a cash management plan that reflects reasonable assumptions on when the COVID-19 pandemic will settle down and related countermeasures, management has determined that it can retain sufficient capital through October 31, 2022, and therefore deems that there should be no significant uncertainty about its ability to continue as a going concern.

[Valuation of investments in and loans issued to subsidiaries and associates]

In its balance sheet for the fiscal year ended October 31, 2021, H.I.S. Co., Ltd. has recorded 60,144 million yen in shares of subsidiaries and associates, 255 million yen in short-term loans receivable from subsidiaries and associates, and 94,941 million yen in long-term loans receivable from subsidiaries and associates. Combined, these items account for 59% of the Company's total assets.

As noted in the "Significant accounting estimates" section of "Notes to Non-consolidated Financial Statements," for shareholdings and investments in subsidiaries and associates, if the actual value falls significantly below the book value, H.I.S. Co., Ltd. records impairment charges except when there is sufficient proof of recoverability based on its future plan. For loans receivable from subsidiaries and associates, the Company's policy is to consider the recoverability of each loan, and record allowances for doubtful accounts for estimated unrecoverable amounts.

The management of H.I.S. Co., Ltd. values the recoverability of investments in shares of subsidiaries and associates and the recoverability of long-term loans receivable from subsidiaries and associates based on the future plans of the subsidiaries and associates.

[Assessment of recoverability of deferred tax assets]

As noted in the "Tax effect accounting" section of "Notes to Non-consolidated Financial Statements," the 4,689 million yen in deferred tax assets recorded by H.I.S. Co., Ltd. in its balance sheet for the fiscal year ended October 31, 2021 includes 2,025 million yen in deferred tax assets for tax loss carryforwards.

In assessing the recoverability of deferred tax assets, the management of H.I.S. Co., Ltd. has estimated future taxable income for the estimable period based on the future plan of the Company.

The information on why we have selected these matters as key audit matters and how we have addressed them in the audit is the same as described in "Impact of the COVID-19 pandemic on financial reporting" under "Key Audit Matters" in the Auditor's Report of the consolidated financial statements, and has therefore been omitted.

### *Responsibilities of the Management and the Audit & Supervisory Committee for the Non-consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting standards generally accepted in Japan, and for the design and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

The Audit & Supervisory Committee is responsible for overseeing the Directors' execution of duties within the design and operation of the financial reporting process.

### *Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements*

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error



and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the non-consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists related to the Company's ability to continue as a going concern, we are required to draw attention in our auditor's report to the notes to the non-consolidated financial statements or, if the notes to the non-consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions regarding the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements and notes to the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Among the matters deliberated with the Audit & Supervisory Committee, we have identified the matters that were of particular significance in the audit of the non-consolidated financial statements of the fiscal year under review as key audit matters, and describe these in the audit report. However, we do not describe such matters if laws or regulations prohibit disclosure regarding the matters, or if, in extremely rare circumstances, we determine that a matter should not be reported because the disadvantages of doing so would reasonably be expected to outweigh the public interests of such a communication.

#### *Conflicts of Interest*

There are no conflicts of interest between the Company and Deloitte Touche Tohmatsu LLC or its Engagement Partners that should be disclosed in compliance with the Certified Public Accountants Act.

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(Notes) 1. The above is a digitization of the text contained in the original copy of the Audit Report, which is in custody of the Company.

2. XBRL data is excluded from the scope of the audit.