

**Consolidated Financial Results for the First Three Months
of the Fiscal Year Ending October 31, 2018 (Under Japanese GAAP)**

* Please note this document is a translation of the original Japanese document “Financial Results for the 3 months ended January 31, 2017 (Kessan Tanshin)” and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

February 28, 2018

Company Name: H.I.S. Co., Ltd.

Stock Code: 9603, URL: <http://www.his.co.jp/english/info.html>

Representative Director: Hideo Sawada, Representative Director, Chairman and President

Contact: Shigeru Nakatani, Director and CFO

Scheduled date to file Quarterly Securities Report: March 02, 2018

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: None

Holding of quarterly financial results meeting: None

(Rounded down to the nearest million Japanese Yen)

**1. Consolidated Financial Results for the First Three Months of the Fiscal Year Ending October 31, 2018
(November 1, 2017 – January 31, 2018)**

(1) Consolidated Operating Results (Cumulative) (% shows year-on-year changes)

	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
3 months ended								
Jan 31, 2018	164,509	31.6	4,078	60.1	3,957	△44.8	1,302	△67.4
Jan 31, 2017	125,022	0.7	2,547	△45.7	7,174	63.3	3,997	108.3

(*Note) Comprehensive Income: JPY2,672 million (△56.5%) for the 3 months ended January 31, 2018
JPY6,148 million (270.0%) for the 3 months ended January 31, 2017

	EPS	Diluted EPS
3 months ended	JPY	JPY
Jan 31, 2018	22.64	19.52
Jan 31, 2017	65.04	60.71

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	BPS
As of	JPY million	JPY million	%	JPY
Jan 31, 2018	464,333	106,875	17.4	1,413.96
Oct 31, 2017	422,809	111,247	20.3	1,466.13

(*Reference) Shareholders' Equity : JPY80,917 million as of January 31, 2018
JPY85,773 million as of October 31, 2017

2. Dividends

	Annual Dividends Per Share				
	1 st Quarter-end	2 nd Quarter-end	3 rd Quarter-end	Fiscal year-end	Total
Fiscal Year ended October 31, 2017	JPY —	JPY 0.00	JPY —	JPY 29.00	JPY 29.00
Fiscal Year ending October 31, 2018	—				
Fiscal Year ending October 31, 2018(Forecast)		0.00	—	29.00	29.00

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

3. Financial Forecasts for Fiscal Year ending October 31, 2018 (November 1, 2017 – October 31, 2018)

(% shows year-on-year changes)

Fiscal Year Ending	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		EPS
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
Apr 30, 2018	350,000	28.8	7,700	23.3	8,700	△17.4	5,700	10.1	99.60
Oct 31, 2018	735,000	21.3	18,000	13.1	20,000	1.8	11,800	△11.0	206.19

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

(*Notes)

(1) Changes in significant subsidiaries during the 3 months ended January 31, 2018 (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

For details, please see “Application of accounting treatment specific to preparation of quarterly consolidated financial statements” of the attached appendix.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to amendments to accounting standards and other regulations:

None

2) Changes in accounting policies due to reasons other than 1) above: None

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements: None

(4) The Number of Issued and Outstanding Shares (Common Shares)

1) Number of Issued and Outstanding Shares (Including Treasury Stocks) at the end of the period

As of Jan 31, 2018	68,522,936 shares
As of Oct 31, 2017	68,522,936 shares

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

As of Jan 31, 2018	11,295,387 shares
As of Oct 31, 2017	10,019,506 shares

3) Average Number of Shares during the period

3 months ended Jan 31, 2018	57,549,619 shares
3 months ended Jan 31, 2017	61,459,970 shares

(*Note) The stocks of the company held by H.I.S. Employee Stock Ownership Trust are included in the number of treasury stock at the end of period (340,100 shares as of January 31, 2018 and 363,100 shares as of October 31, 2017) and the number of treasury stock deducted in calculating the average number of shares during the period (351,600 shares during 3 months ended January 31, 2018 and 441,050 shares as of January 31, 2017).

(*Note) Explanations regarding the Quarterly Review Procedures

This document is not subject to the quarterly review procedures as promulgated by the Financial Instruments and Exchange Act.

(*Note) Explanations regarding the Appropriate Use of Financial Forecasts and Other Special Instructions

The financial forecasts above are based on information that is available to management as of the date of announcement of this document and certain assumptions as of the date of announcement of this document that are related to uncertain factors that could influence financial forecasts. Actual results may be significantly different from these financial forecasts due to various factors. For more information, please see "Explanation regarding financial forecasts and other forward-looking information" on the attached appendix.

1. Qualitative Information regarding the Financial Results for the Three Months Ended January 31, 2018

(1) Explanation of Operating Results

Regarding the business environment during the three months ended January 31, 2018, despite the geopolitical risks outside of Japan, domestic economic conditions in Japan continued to show a moderate recovery trend due to improvements in employment and income environments and effects of various governmental policies.

Under such circumstances, H.I.S. Group reorganized its business execution structure to respond to its expanding business domain. H.I.S. Group also continued its efforts to build a new business model that can contribute to world peace as a company constantly changing and developing not only through travel but also through various businesses with the corporate philosophy “Contributing to the creative development of humanity and world peace by complying with the law of nature”

Operating results by business segment are as follows. The amount of each segment is the amount before eliminating intersegment transactions.

(Travel Business)

The number of Japanese travelers departing Japan during the three months ended January 2018 increased by 5% to 4.43 million as compared to the same period last year due to recovery of demand for travel to Europe, partially offset by declining trend of travel to Micronesia due to geopolitical risks and other reasons. With respect to foreign visitors to Japan, the number of visitors continued to be strong and increased by 19% to 7.40 million while achieving a monthly record high for each of the three months. (Source: JNTO).

Regarding the outbound travel business from Japan, which is the pillar business of H.I.S. Group, while the number of travelers was affected by deterioration of seating environments for Taiwan and by geopolitical risks for Micronesia, H.I.S. Group continued to enhance its “Only One” products, including anniversary commemorative products of its tour brand celebrating the 20th and 30th anniversary, and launch of tours accompanied by tour conductors winning “The Tour Conductor of the Year 2017 Grand Prix”. Online business was solid as a result of improvements adapted to search trends, such as the establishment of new “area pages”. The domestic travel within Japan contributed to sales and profit due to online sales of domestic airline tickets and increased passengers of bus tours as well as improvement in profit via re-establishment of product line-up including Okinawa and other regions.

In H.I.S Group’s outbound travel business from overseas, efforts were made to continue to introduce and strengthen management resources to capture the travel demand in Asia,

where the number of outbound travelers is rapidly increasing due to economic developments. The number of outbound travelers from overseas also steadily increased as sales of tour parts increased due to the acceleration of individual travels. H.I.S. Group continued to strive to acquire local leisure markets, such as exhibiting at “Visit Japan” events in Thailand, Indonesia, Malaysia, etc., and opening a leisure store in a shopping mall in overseas-Chinese area in Indonesia.

Regarding the inbound travel to Japan, despite a decline due to Chinese New Year in February, MICE projects continued to be strong, especially from Southeast Asia, not only Thailand, but also Vietnam. At year end, group tour orders increased as a result of increasing charter flights to popular destinations such as Hokkaido and Tohoku.

In the meantime, the number of H.I.S. Group’s sales locations was 286 in Japan and 271 in 156 cities in 70 countries outside of Japan as of the end of January 2018 as a result of opening new locations and consolidation.

As a result of the above, the Travel Business recorded net sales of 145,746 million yen (134.2% of the same period last year), and operating income of 1,979 million yen (231.5% of the same period last year) due partly to contributions from companies that became H.I.S. Group’s consolidated subsidiaries in the last fiscal year.

(Huis Ten Bosch Group)

Celebrating its 25th anniversary, Huis Ten Bosch focused on further enhancing customer satisfaction and experience value by providing only one and number one contents.

Huis Ten Bosch offered an overwhelming light world that can only be experienced at Huis Ten Bosch by hosting “Kingdom of Light” with one of the world's largest 13 million lights as well as 3D projection mapping of 110 meters, the largest in Japan that was newly added during the current year. It won the No.1 award in “National Illumination Ranking: General Entertainment Division” for 5 consecutive years at “5th Illumination Award”. Huis Ten Bosch also launched new developments such as opening a giant fireworks event that is held for the first time at this time of year and opening a “Golden Pavilion” that visitors can enjoy the world of pure gold worth 800 million yen.

As a result of the above, Huis Ten Bosch was able to enhance contents and customer satisfaction, but the number of visitors was 729,000 (92.4% of the same period last year) as affected by bad weather during weekends and decreased long holidays.

Laguna Ten Bosch endeavored to strengthen customer attraction by launching the newest on-the-water illumination “Blue Palace” this year and the underwater illumination incorporating the latest technology, as well as conducting the biggest countdown live event in the Tokai area.

As a result of the above, Huis Ten Bosh Group recorded net sales of 10,052 million yen (117.1% of the same period last year) and operating income of 1,974 million yen (87.6% of the same period last year).

(Hotel Business)

In the Hotel Business, which H.I.S. Group is aiming to strengthen as the third pillar following Travel Business and Huis ten Bosh Group, “Henn na Hotel Tokyo, Nishikasai” started its operation in December 2017 as the latest development of Henn na Hotel, which aims to be the world’s most efficient hotel. H.I.S. Group plans to continue to open urban-stay type hotels, with 5 more Henn na Hotel planned in Tokyo. Hotel Business recorded net sales of 3,130 million yen (184.7% of the same period last year), operating income of 394 million yen (170.6% of the same period last year) and EBITDA of 732 million yen (170.6% of the same period last year), all of which showed significant growth due partly to Green World Hotels Co., Ltd becoming a consolidated subsidiary.

(The Kyushu Sanko Group)

The Kyushu Sanko Group recorded net sales of 5,740 million yen (97.8% of the same period last year) and operating income of 235 million yen (105.0% of the same period last year) due partly to reactionary decline in relation to restoration discounts in the travel division as well as typhoons and other weather conditions. On the other hand, the Sakuramachi redevelopment project progressed as planned.

As a result of the above, H.I.S. Group recorded net sales of 164,509 million yen (131.6% of the same period last year), and operating income of 4,078 million yen (160.1% of the same period last year) during the three months ended January 31, 2018. Ordinary income was 3,957 million (55.2% of the same period last year) with 717 million yen of foreign exchange loss (3,361 million yen of foreign exchange gain in the same period last year), and net income attributable to parent company’s shareholders was 1,302 million yen (32.6% of the same period last year).

(2) Explanation of Financial Position

Total assets as of the end of January 2018 increased by 41,524 million yen as compared to the end of October 2017 to 464,333 million yen. This was due mainly to 13,382 million yen increase in cash and deposits, 8,215 million yen increase in travel advance payments, 7,863 million yen increase in accounts receivable (trade), and 4,313 million yen increase in property, plant and equipment.

Total liabilities as of the end of January 2018 increased by 45,896 million yen as compared to the end of October 2017 to 357,458 million yen. This was due mainly to 25,111 million yen

of issuance of convertible bond type bonds with stock acquisition rights, 12,821 million yen increase in travel advance payments received, and 7,313 million yen increase in operating accounts payable.

Net assets as of the end of January 2018 decreased by 4,371 million yen as compared to the end of October 2017 to 106,875 million yen. This was due mainly to 4,999 million yen of acquisition of treasury stock in accordance with the resolution of board of directors on October 31, 2017.

Capital ratio as of the end of January 2018 was 17.4% as compared to 20.3% as of the end of October 2017. This was due to fund raising through straight bonds payable, convertible bond type bonds with stock acquisition rights and loans payable. Capital ratio excluding the impact of the fund raising was 30.4% as of the end of January 2018 and 34.1% as of the end of October 2017.

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

There is no change to the consolidated financial forecasts for the 1st half and full year that were announced on December 19, 2017.

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

1. Foreign Exchange Fluctuations

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

2. Reduction of Fuel Surcharges

Fuel surcharges included in the sales of the Travel Business may be reduced or be unnecessary with the decline of fuel oil price. There is a possibility that consolidated sales forecasts could be affected by this, but there is no impact on consolidated operating income, ordinary income, net income attributable to parent company shareholders, and EPS forecasts.

Consolidated Balance Sheet

(Millions of yen)

	As of October 31, 2017	As of January 31, 2018
Assets		
Current assets		
Cash and deposits	193,039	206,422
Accounts receivable - trade	34,801	42,664
Operating accounts receivable	6,194	3,566
Securities	39	40
Travel advance payments	28,062	36,277
Prepaid expenses	2,909	3,006
Deferred tax assets	2,328	2,509
Short-term loans receivable	5,634	6,626
Short-term loans receivable from subsidiaries and associates	373	374
Accounts receivable - other	2,381	2,106
Other	7,954	10,813
Allowance for doubtful accounts	△234	△328
Total current assets	283,485	314,080
Non-current assets		
Property, plant and equipment		
Buildings, net	22,015	21,924
Tools, furniture and fixtures, net	5,442	6,455
Vessels, net	62	60
Land	28,744	28,756
Leased assets, net	2,701	2,649
Construction in progress	18,086	21,528
Other, net	5,949	5,940
Total property, plant and equipment	83,001	87,314
Intangible assets		
Goodwill	6,237	9,351
Other	11,428	11,546
Total intangible assets	17,666	20,897
Investments and other assets		
Investment securities	10,957	12,236
Shares of subsidiaries and associates	1,681	2,202
Investments in capital of subsidiaries and associates	632	632
Long-term loans receivable	1,371	1,327
Long-term loans receivable from subsidiaries and associates	128	528
Net defined benefit asset	622	597
Deferred tax assets	4,362	4,332
Guarantee deposits	7,643	8,304
Other	11,210	11,773
Allowance for doubtful accounts	△181	△181
Total investments and other assets	38,427	41,754
Total non-current assets	139,095	149,966
Deferred assets	227	287
Total assets	422,809	464,333

(Millions of yen)

	As of October 31, 2017	As of January 31, 2018
Liabilities		
Current liabilities		
Operating accounts payable	23,590	30,904
Short-term loans payable	7,474	9,961
Current portion of long-term loans payable	1,847	1,861
Accounts payable - other	3,199	3,820
Accrued expenses	10,049	8,602
Income taxes payable	3,929	1,764
Accrued consumption taxes	724	564
Travel advance received	58,437	71,259
Lease obligations	864	788
Provision for bonuses	4,077	2,183
Provision for directors' bonuses	162	77
Other	17,509	21,132
Total current liabilities	131,866	152,920
Non-current liabilities		
Bonds payable	40,000	40,000
Convertible bond-type bonds with subscription rights to shares	20,073	45,185
Long-term loans payable	101,603	101,541
Deferred tax liabilities	4,786	4,832
Net defined benefit liability	7,588	7,667
Provision for directors' retirement benefits	861	281
Provision for repairs	159	54
Lease obligations	2,211	2,205
Other	2,410	2,770
Total non-current liabilities	179,694	204,538
Total liabilities	311,561	357,458
Net assets		
Shareholders' equity		
Capital stock	11,000	11,000
Capital surplus	3,581	3,590
Retained earnings	92,731	92,320
Treasury shares	△23,875	△28,805
Total shareholders' equity	83,437	78,106
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	283	509
Deferred gains or losses on hedges	265	△312
Foreign currency translation adjustment	1,716	2,569
Remeasurements of defined benefit plans	70	44
Total accumulated other comprehensive income	2,336	2,811
Subscription rights to shares	252	295
Non-controlling interests	25,221	25,662
Total net assets	111,247	106,875
Total liabilities and net assets	422,809	464,333

Consolidated Statements of Income

(Millions of yen)

	Three months ended January 31, 2017	Three months ended January 31, 2018
Net sales	125,022	164,509
Cost of sales	100,274	132,890
Gross profit	24,748	31,619
Selling, general and administrative expenses	22,200	27,540
Operating profit	2,547	4,078
Non-operating income		
Interest income	428	417
Foreign exchange gains	3,361	—
Share of profit of entities accounted for using equity method	532	—
Other	493	432
Total non-operating income	4,816	849
Non-operating expenses		
Interest expenses	92	139
Foreign exchange losses	—	717
Share of loss of entities accounted for using equity method	—	2
Other	96	112
Total non-operating expenses	188	970
Ordinary profit	7,174	3,957
Profit before income taxes	7,174	3,957
Income taxes	2,142	1,833
Profit	5,032	2,123
Profit attributable to non-controlling interests	1,034	821
Profit attributable to owners of parent	3,997	1,302

Segments Information

Information on net sales, incomes or losses by reported segment

Nine months ended January 31, 2017 (November 1, 2016 — January 31, 2017)

(Millions of yen)

	Reportable segments						Others Businesses *1	Total	Emanations & Corporate *2	Consolidated *3
	Travel Business	Huis Ten Bosch Group	Hotel Business	Transportation Business	Kyushu Sanko Group	Subtotal				
Net Sales										
(1)Sales of outside customers	108,536	8,239	1,442	931	5,861	125,011	11	125,022	—	125,022
(2)Inter-Segment sales/transfers	66	347	252	40	6	712	—	712	△712	—
Total	108,602	8,587	1,694	971	5,867	125,723	11	125,735	△712	125,022
Segment income (loss)	854	2,254	231	△421	224	3,143	7	3,150	△603	2,547

Note

1. Other Businesses refer to the business segment not included in the report segment, including real estate business.
2. Segment incomes (losses) of △603 millions of yen are corporate-wide expenses not included in each reported segment and refer to administrative expenses at the headquarters, not included in the reported segment.
3. Segment incomes (losses) are adjusted with operating incomes in the consolidated financial statements.

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

(Millions of yen)

	Reportable segments					Others Businesses *1	Total	Emanations & Corporate *2	Consolidated *3
	Travel Business	Huis Ten Bosch Group	Hotel Business	Kyushu Sanko Group	Subtotal				
Net Sales									
(1)Sales of outside customers	145,364	9,615	2,899	5,738	163,617	891	164,509	—	164,509
(2)Inter-Segment sales/transfers	382	436	231	1	1,052	1	1,054	△1,054	—
Total	145,746	10,052	3,130	5,740	164,670	893	165,563	△1,054	164,509
Segment income	1,979	1,974	394	235	4,583	11	4,595	△516	4,078

Note

1. Other Businesses refer to the business segment not included in the report segment, casualty insurance business and real estate businesses among others.
2. Segment incomes (losses) of △516 millions of yen are corporate-wide expenses not included in each reported segment and refer to administrative expenses at the headquarters, not included in the reported segment.
3. Segment incomes are adjusted with operating incomes in the consolidated financial statements.