

**Consolidated Financial Results for the First Nine Months
of the Fiscal Year Ending October 31, 2019 (Under Japanese GAAP)**

* Please note this document is a translation of the original Japanese document “Financial Results for the First Nine Months ended July 31, 2019 (Kessan Tanshin)” and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

August 28, 2019

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

Stock Code: 9603, URL: <https://www.his.co.jp/en/>

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

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

Scheduled date to file Quarterly Securities Report: September 11, 2019

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results meeting: No

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

(1) Consolidated Operating Results (Cumulative)

(% shows year-on-year changes)

	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
9 months ended								
Jul 31, 2019	573,717	12.4	11,348	18.1	11,268	8.7	6,495	44.0
Jul 31, 2018	510,438	23.0	9,611	18.7	10,362	(15.7)	4,511	(48.5)

(*Note) Comprehensive Income: JPY8,438 million [69.7%] for the 9 months ended July 31, 2019

JPY4,973 million [(60.7)%] for the 9 months ended July 31, 2018

	EPS	Diluted EPS
	JPY	JPY
9 months ended		
Jul 31, 2019	113.30	97.85
Jul 31, 2018	78.64	67.81

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

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	BPS
	JPY million	JPY million	%	JPY
As of				
Jul 31, 2019	638,714	121,037	14.7	1,639.71
Oct 31, 2018	516,468	115,641	17.1	1,539.98

(*Reference) Shareholders' Equity : JPY94,075 million as of July 31, 2019

JPY88,227 million as of October 31, 2018

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

2. Dividends

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

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

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

(% shows year-on-year changes)

Fiscal Year Ending	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		EPS
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
Full Year	800,000	9.8	16,000	(11.5)	15,300	(21.5)	9,600	(13.3)	167.33

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

(*Notes)

(1) Changes in significant subsidiaries during the 9 months ended July 31, 2019 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

3 new addition: H.I.S. – RED LABEL VACATIONS INC., TravelBrands USA Holdings, Inc.

HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI

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

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

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

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

Yes

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

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements: None

For details, please see “Changes in accounting policies” of the attached appendix.

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

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

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

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

As of Jul 31, 2019	11,149,808 shares
As of Oct 31, 2018	11,231,540 shares

3) Average Number of Shares during the period

9 months ended Jul 31, 2019	57,327,885 shares
9 months ended Jul 31, 2018	57,372,409 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 (206,400 shares as of July 31, 2019 and 282,100 shares as of October 31, 2018) and the number of treasury stock deducted in calculating the average number of shares during the period (249,230 shares during 9 months ended July 31, 2019 and 332,230 shares as of July 31, 2018).

(*Note) Explanations regarding the Quarterly Review Procedures.

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

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

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

1. Qualitative Information regarding the Financial Results for the 9 Months Ended July 31, 2019

(1) Explanation of Operating Results

Regarding the business environment during the 9 months ended July 31, 2019, the domestic economy in Japan showed moderate recovery due to improvements in employment and income environments as well as due to effects of various governmental policies, despite weakness in some categories such as exports and production. The international economy showed moderate recovery overall, despite risks such as trade issues, policy uncertainties, and fluctuations in the financial capital markets.

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

Operating results by business segment are as follows. The business segment has been reclassified at the beginning of the current consolidated fiscal year, and the year-over-year comparison below is based on the reclassified segment. For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes on Quarterly Consolidated Financial Statements, Segment Information, etc." The amount of each business segment is the amount before eliminating intersegment transactions.

(Travel Business)

During the 9 months ended July 31, 2019, the number of Japanese travelers departing from Japan increased by 8.6% year-over-year to 14.50 million, due to continued strong demands for travel. The number of foreign visitors to Japan increased by 4.6% year-over-year to 24.7 million due to continued "Visit Japan" promotions, although there was a partial decrease due to higher prices for travel products to Japan mainly in the East Asian market. (Source: Japan Tourism Board (JNTO))

Regarding the travel business in Japan, sales were at the same level as the previous fiscal year as the departures during the large holidays concentrated at the end of the 2nd quarter of the consolidated fiscal year. However, the number of passengers increased year-over-year due to the strong performance of travel to Guam and South Korea. In addition, travel to Italy, which enhanced tours with tour operators, and travel to Singapore, where tie-up tours with popular anime started, performed well. By sales channel, online sales handling has been increasing, with "flight + hotel" growing significantly. Domestic travel in Japan was at the same level as the previous fiscal year due to the delay of the end of the rainy season and bad weather, although some large holiday positive effects were seen. Inbound travel to Japan grew year-over-year due to the strengthening of the organizational structure for customers from

Europe and the United States, although profitability remained an issue due to the worsening competitive environment for customers from East Asia. Regarding the corporate business, as part of efforts to strengthen sports tourism, a sponsorship contract with Spanish professional soccer league “LaLiga”, the 1st in Japan, was signed. H.I.S. Group also worked to strengthen customer attraction by holding seminars to accelerate the development of overseas expansion support business.

Regarding the travel business overseas, the strong sales of GROUP MIKI HOLDINGS LIMITED due to continued strong demand for travel to Europe, new consolidation of RED LABEL VACATIONS INC. from the 3rd quarter of the current consolidated fiscal year, and growth of inbound business in South Korea and Guam at existing overseas group companies, significantly contributed to the financial results.

The number of H.I.S. Group’s sales locations was 261 in Japan and 268 in 159 cities in 69 countries outside of Japan as of the end of July 2019 as a result of opening new locations and consolidation.

As a result of the above, the Travel Business recorded net sales of 512,275 million yen (112.6% of the same period last year), and operating profit of 8,167 million yen (157.3% of the same period last year).

(Huis Ten Bosch Group)

In April, Huis Ten Bosch introduced “Early Discount”, which allows customers to purchase a one-day passport at a reasonable price, as well as “new pre-school children price that takes into account restrictions on facility use and free entry of pets”, and “Birthday benefits” in order to expand the system and to change the admission fee system to reflect customer requests. The number of visitors was 1,909,000, 94.6% as compared to the same period of the previous fiscal year, an improvement as compared to the 1st half of the current consolidated fiscal year due to a positive effect of Golden Week’s 10 consecutive holidays, although the number of tourists visiting Japan continued to decline. Operating profit declined year-over-year due to increase in expenses such as maintenance expenses within Huis Ten Bosch.

As a result of the above, Huis Ten Bosh Group recorded net sales of 20,192 million yen (93.0% of the same period last year) and operating profit of 3,717 million yen (74.3% of the same period last year) during the 9 months ended July 31, 2019.

(Hotel Business)

In the Hotel Business, which H.I.S. Group is aiming to strengthen as the third pillar following Travel Business and Huis Ten Bosh Group, H.I.S. Group continued to focus on the development of “Henn na Hotel” aiming for the number one productivity in the world, and opened the 13th “Henn na Hotel” in front of Kyoto Station Hachijoguchi exit. Net sales increased steadily due to an increase in the number of “Henn na Hotel” and stable operation of

existing hotels, but operating profit declined in order to strengthen the balance sheet in the 3rd quarter of the current consolidated fiscal year.

As a result of the above, Hotel Business recorded net sales of 9,427 million yen (103.0% of the same period last year), operating profit of 57 million yen (6.9% of the same period last year) and EBITDA of 1,195 million yen (64.8% of the same period last year) during the 9 months ended July 31, 2019.

(Kyushu Sanko Group)

In the Kyushu Sanko Group, net sales increased due to growth in food and beverage sales, vehicle maintenance business, and advertising business, etc., but due to the impact of increase in personnel and other expenses, net sales were 16,403 million yen (101.7% of the same period last year) and operating profit was 239 million yen (73.9% of the same period last year) during the 9 months ended July 31, 2019. On the other hand, the Sakuramachi redevelopment project progressed as planned in line with the expected start of operation in September 2019.

(Energy Business)

In the electric power retail business, net sales were 13,887 million yen (174.9% of the same period last year) and operating profit was 495 million yen (272 million yen operating loss in the same period last year) during the 9 months ended July 31, 2019 due to an increase in the number of contracts due to a significant increase in sales channels such as agencies, revenues from balancing group and electric power wholesale, and procurement contracts with new suppliers.

As a result of the above, H.I.S. Group recorded net sales of 573,717 million yen (112.4% of the same period last year), operating profit of 11,348 million yen (118.1% of the same period last year), ordinary profit of 11,268 million (108.7% of the same period last year), and net profit attributable to owners of parent of 6,495 million yen (144.0% of the same period last year) during the 9 months ended July 31, 2019.

(2) Explanation of Financial Position

Total assets as of the end of July 2019 increased by 122,246 million yen as compared to the end of October 2018 to 638,714 million yen. This was due mainly to 55,037 million yen increase in property, plant and equipment, 36,513 million yen increase in travel advance payments, 21,045 million yen increase in cash and deposits, and 7,719 million yen increase in intangible assets.

Total liabilities as of the end of July 2019 increased by 116,850 million yen as compared to the end of October 2018 to 517,677 million yen. This was due mainly to 58,636 million yen increase in travel advance received and 41,062 million yen increase in loans payable.

Net assets as of the end of July 2019 increased by 5,395 million yen as compared to the end of October 2018 to 121,037 million yen. This was due mainly to 4,710 million yen increase in retained earnings due to recording of quarterly net profit, etc. and 1,854 million yen increase in valuation difference on available-for-sale securities, which was partially offset by 768 million yen decrease in foreign currency translation adjustments.

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

The financial forecasts for the full year (12 months) ending October 31, 2019 were revised from the ones that had been announced on December 11, 2018, with net sales forecast revised to 800,000 million yen (109.8% of the previous fiscal year), operating profit forecast revised to 16,000 million yen (88.5% of the previous fiscal year), ordinary profit forecast revised to 15,300 million yen (78.5% of the previous fiscal year), and net profit forecast (attributable to owners of parent) revised to 9,600 million yen (86.7% of the previous fiscal year). Please refer to “Revision to financial forecasts” that were announced today (August 28, 2019).

The following events could possibly have an impact on the financial forecasts for the 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 and other measures to reduce the impact of fluctuations in exchange rates, but if the exchange rate fluctuates significantly, there is a possibility that the financial forecasts for the full year could be affected.

② Increase/Decrease of Fuel Surcharges

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

2. Consolidated Financial Statements

(Millions of yen)

	As of October 31, 2018	As of July 31, 2019
Assets		
Current assets		
Cash and deposits	213,960	235,006
Notes and accounts receivable - trade	44,376	44,032
Operating accounts receivable	5,048	2,920
Securities	89	130
Travel advance payments	34,347	70,861
Prepaid expenses	2,423	2,682
Short-term loans receivable	1,391	2,450
Short-term loans receivable from subsidiaries and associates	196	207
Accounts receivable - other	5,604	8,623
Other	12,942	8,543
Allowance for doubtful accounts	(451)	(433)
Total current assets	319,929	375,027
Non-current assets		
Property, plant and equipment		
Buildings, net	19,663	26,861
Tools, furniture and fixtures, net	6,163	7,734
Land	32,685	38,495
Leased assets, net	3,025	3,339
Construction in progress	48,455	88,080
Other, net	6,108	6,629
Total property, plant and equipment	116,102	171,140
Intangible assets		
Goodwill	7,232	13,266
Other	12,964	14,649
Total intangible assets	20,196	27,915
Investments and other assets		
Investment securities	15,895	20,196
Shares of subsidiaries and associates	2,434	3,438
Investments in capital of subsidiaries and associates	179	121
Long-term loans receivable	4,479	3,412
Long-term loans receivable from subsidiaries and associates	1,218	1,186
Net defined benefit asset	551	578
Deferred tax assets	7,061	8,513
Guarantee deposits	9,125	11,882
Other	19,050	15,363
Allowance for doubtful accounts	(190)	(241)
Total investments and other assets	59,807	64,451
Total non-current assets	196,105	263,507
Deferred assets	432	178
Total assets	516,468	638,714

(Millions of yen)

	As of October 31, 2018	As of July 31, 2019
Liabilities		
Current liabilities		
Operating accounts payable	36,933	34,777
Short-term loans payable	17,992	25,810
Current portion of bonds	10,000	10,000
Current portion of Convertible bond-type bonds with share acquisition rights	20,033	20,003
Current portion of long-term loans payable	11,008	16,859
Accounts payable - other	3,704	5,550
Accrued expenses	3,643	4,623
Income taxes payable	3,752	3,007
Accrued consumption taxes	1,019	734
Travel advance received	68,344	126,981
Lease obligations	935	769
Provision for bonuses	4,915	3,954
Provision for directors' bonuses	177	158
Provision for loss on liquidation of subsidiaries and associates	2,163	—
Other	29,310	48,893
Total current liabilities	213,932	302,124
Non-current liabilities		
Bonds payable	30,000	30,000
Convertible bond-type bonds with share acquisition rights	25,108	25,095
Long-term loans payable	113,309	140,702
Deferred tax liabilities	5,556	5,113
Net defined benefit liability	7,036	7,311
Provision for directors' retirement benefits	343	390
Lease obligations	2,406	2,835
Other	3,133	4,104
Total non-current liabilities	186,894	215,552
Total liabilities	400,826	517,677
Net assets		
Shareholders' equity		
Capital stock	11,000	11,000
Capital surplus	3,451	3,391
Retained earnings	102,083	106,793
Treasury shares	(28,611)	(28,363)
Total shareholders' equity	87,923	92,821
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	283	2,138
Deferred gains or losses on hedges	166	(22)
Foreign currency translation adjustment	(97)	(865)
Remeasurements of defined benefit plans	(49)	2
Total accumulated other comprehensive income	304	1,254
Share acquisition rights	431	—
Non-controlling interests	26,982	26,961
Total net assets	115,641	121,037
Total liabilities and net assets	516,468	638,714

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

Consolidated Statements of Income

(Millions of yen)

	Nine months ended July 31, 2018	Nine months ended July 31, 2019
Net sales	510,438	573,717
Cost of sales	415,801	469,910
Gross profit	94,637	103,807
Selling, general and administrative expenses	85,025	92,458
Operating profit	9,611	11,348
Non-operating income		
Interest income	1,193	1,217
Share of profit of entities accounted for using equity method	—	16
Other	1,566	1,437
Total non-operating income	2,759	2,670
Non-operating expenses		
Interest expenses	429	569
Foreign exchange losses	1,046	856
Share of loss of entities accounted for using equity method	1	—
Other	531	1,324
Total non-operating expenses	2,009	2,750
Ordinary profit	10,362	11,268
Extraordinary income		
Gain on sales of non-current assets	2,625	—
Gain on sales of investment securities	—	559
Gain on revision of retirement benefit plan	282	—
Gain on reversal of share acquisition rights	—	513
Total extraordinary income	2,907	1,073
Extraordinary losses		
Loss on valuation of investment securities affiliated company debt waiver	330	—
Total extraordinary losses	2,018	—
Profit before income taxes	11,251	12,341
Income taxes	5,109	4,533
Profit	6,142	7,807
Profit attributable to non-controlling interests	1,630	1,311
Profit attributable to owners of parent	4,511	6,495

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended July 31, 2018	Nine months ended July 31, 2019
Profit	6,142	7,807
Other comprehensive income		
Valuation difference on available-for-sale securities	235	1,854
Deferred gains or losses on hedges	(127)	(189)
Foreign currency translation adjustment	(1,177)	(1,106)
Remeasurements of defined benefit plans, net of tax	(100)	73
Share of other comprehensive income of entities accounted for using equity method	1	(0)
Total other comprehensive income	(1,168)	631
Comprehensive income	4,973	8,438
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,417	7,445
Comprehensive income attributable to non-controlling interests	1,556	993

(3) Notes on Quarterly Consolidated Financial Statements

(Segments Information)

Information on net sales, incomes or losses by reported segment

Nine months ended July 31, 2018 (November 1, 2017 – July 31, 2018)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Emanations & Corporate *2	Consolidated *3
	Travel Business	Huis Ten Bosch Group	Hotel Business	Kyushu Sanko Group	Energy Business	Subtotal				
Net Sales										
(1)Sales of outside customers	453,638	20,481	8,501	16,111	7,884	506,617	3,820	510,438	—	510,438
(2)Inter-Segment sales/transfers	1,209	1,239	655	11	57	3,172	461	3,633	(3,633)	—
Total	454,848	21,721	9,156	16,122	7,941	509,790	4,281	514,071	(3,633)	510,438
Segment income (loss)	5,192	5,005	843	324	△272	11,093	162	11,256	(1,644)	9,611

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 (1,644) 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.
4. The amount of goodwill due to the acquisition of shares of consolidated subsidiary, JONVIEW CANADA INC., in the Travel Business was revised from 3,088 million yen, which had been temporarily calculated and recorded, to 1,342 million yen due to the completion of acquisition cost allocation during the consolidated 1st quarter of the current fiscal year.

Nine months ended July 31, 2019 (November 1, 2018 – July 31, 2019)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Emanations & Corporate *2	Consolidated *3
	Travel Business	Huis Ten Bosch Group	Hotel Business	Kyushu Sanko Group	Energy Business	Subtotal				
Net Sales										
(1)Sales of outside customers	510,634	18,895	8,751	16,384	13,802	568,468	5,248	573,717	—	573,717
(2)Inter-Segment sales/transfers	1,640	1,297	675	19	84	3,718	664	4,382	(4,382)	—
Total	512,275	20,192	9,427	16,403	13,887	572,187	5,912	578,100	(4,382)	573,717
Segment income	8,167	3,717	57	239	495	12,677	448	13,126	(1,778)	11,348

Note

1. Other Businesses refer to the business segment not included in the report segment, casualty insurance business and real estate businesses among others.
2. Segment incomes of (1,778) millions of yen are corporate-wide expenses not included in each reported segment and refer to administrative expenses at the headquarters, not included in the reported segment.
3. Segment incomes are adjusted with operating incomes in the consolidated financial statements.
4. Matters concerning changes in reporting segments, etc

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

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