

**Consolidated Financial Results for the First Nine Months
of the Fiscal Year Ending October 31, 2020 (Under Japanese GAAP)**

* Please note this document is a translation of the original Japanese document “Financial Results for the First Nine Months ended July 31, 2020 (Kessan Tanshin)” and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

September 30, 2020

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

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

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

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

Scheduled date to file Quarterly Securities Report: September 30, 2020

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes

**1. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending October 31, 2020
(November 1, 2019 – July 31, 2020)**

(1) Consolidated Operating Results (Cumulative)

(% shows year-on-year changes)

	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
9 months ended								
Jul 31, 2020	401,016	(30.1)	(16,793)	—	(16,595)	—	(16,673)	—
Jul 31, 2019	573,717	12.4	11,331	17.9	11,251	8.6	6,478	43.6

(*Note) Comprehensive Income: JPY(24,421) million [—%] for the 9 months ended July 31, 2020
JPY8,421 million [69.3%] for the 9 months ended July 31, 2019

	EPS	Diluted EPS
	JPY	JPY
9 months ended		
Jul 31, 2020	(290.23)	—
Jul 31, 2019	113.01	97.59

(*Note) As of the end of October 2019, provisional accounting for consolidation was finalized. As a result, the figures for the 3rd quarter of the fiscal year ended October 2019 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, 2020	418,286	98,621	17.6	1,283.23
Oct 31, 2019	577,399	123,909	16.8	1,686.22

(*Reference) Shareholders' Equity : JPY73,789 million as of July 31, 2020

JPY96,773 million as of October 31, 2019

2. Dividends

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

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

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

(% shows year-on-year changes)

Fiscal Year Ending	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		EPS
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
Full Year	424,000	(47.6)	(36,700)	—	(36,000)	—	(31,800)	—	(553.02)

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

(*Notes)

(1) Changes in significant subsidiaries during the 9 months ended July 31, 2020 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

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

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

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

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

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

Yes

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

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements: None

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

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

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

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

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

As of Jul 31, 2020	11,020,048 shares
As of Oct 31, 2019	11,132,098 shares

3) Average Number of Shares during the period

9 months ended Jul 31, 2020	57,448,258 shares
9 months ended Jul 31, 2019	57,327,885 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 (85,900 shares as of July 31, 2020 and 188,600 shares as of October 31, 2019) and the number of treasury stock deducted in calculating the average number of shares during the period (136,790 shares during 9 months ended July 31, 2020 and 249,230 shares as of July 31, 2019).

(*Note) Explanations regarding the Quarterly Review Procedures.

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

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

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

Qualitative Information regarding the Financial Results for the Nine Months Ended July 31, 2020

(1) Explanations of Operating Results

During the nine months ended July 31, 2020 (1Q-3Q of FY Oct 2020), the business environment, both in Japan and abroad, showed signs of resuming economic activities while taking measures to prevent the spread of the infection, but the outlook for the end of the infection was unclear, and the situation remained tough due to the unstable international situation.

Under such circumstances, H.I.S. Group, while working to thoroughly reduce costs by maximizing the use of government subsidies in each country, reorganized its business execution structure to respond to its expanding business domain. H.I.S. Group also continued its efforts to build a new business model that can contribute to world peace as a company constantly changing and developing not only through travel business but also through various businesses with its corporate philosophy "Contributing to the creative development of humanity and world peace by complying with the law of nature".

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

(Travel Business)

During the nine months ended July 31, 2020, the number of Japanese travelers departing from Japan decreased by 56.1% year-over-year to 6.36 million, and the number of foreign visitors to Japan decreased by 63.9% year-over-year to 8.91 million due to the continued implementation of entry and travel restrictions in many countries in response to the spread of the new coronavirus in many parts of the world. (Source: Japan Tourism Board (JNTO))

H.I.S. Group also saw a significant decrease in the travel handling volume in each market due to the impact of a series of flight cancellations, expansion of travel restrictions, and self-restraint on domestic travel.

In the travel business in Japan, H.I.S. Group shifted the management resources of its overseas travel business to the domestic travel business to strengthen the domestic travel business in response to a significant decrease in demand for overseas travel. Although a temporary recovery in demand was seen after the announcement of the outline of the GoTo Travel Campaign in July, the recovery was limited due to the subsequent exclusion of the Tokyo Metropolitan Government and the impact of an increase in the number of infections. In the corporate business, "Rental HIS," a new service of an overseas remote business trip agent for corporate clients, was launched.

In the travel business overseas, "Online Experience Tour," a new service which allows customers to experience a service in which a local guide guides them to tourist attractions in each region via live streaming, was launched and was well received by customers.

The number of H.I.S. Group's sales locations was 248 in Japan and 262 in 163 cities in 69 countries outside of Japan as of the end of July 2020 as a result of opening new locations and consolidation.

As a result of the above, the Travel Business recorded net sales of 345,928 million yen (67.5% of the same period last year), and operating loss of 11,959 million yen (operating profit of 8,150 million yen in the same period last year) during the nine months ended July 31, 2020.

(Huis Ten Bosch Group)

In light of requests to refrain from going out of home due to the spread of the new coronavirus, Huis Ten Bosch gradually expanded the scope of its operations by closing the park, limiting admission to residents in Nagasaki Prefecture, and reopening some of its outdoor facilities, and made efforts to attract customers while taking infection prevention measures in accordance with the guidelines. However, the number of visitors was 1,140,000, or 59.9% as compared to the same period of the previous fiscal year.

Laguna Ten Bosch also had a tough time due to a decline in the number of visitors as a result of the closure of the park and the reopening of the park for shortened hours.

As a result of the above, Huis Ten Bosch Group recorded net sales of 10,680 million yen (52.9% of the same period last year) and operating loss of 2,093 million yen (operating profit of 3,717 million yen in the same period last year) during the nine months ended July 31, 2020.

(Hotel Business)

In the hotel business, the number of guests declined due to the continued spread of the new coronavirus, despite cost-cutting measures such as reviewing fixed costs and labor costs, as well as the provision of "infection risk reduction plans" at Henn na Hotel and the strengthening of infection prevention measures at all hotels.

As a result of the above, the Hotel Business recorded net sales of 7,464 million yen (79.2% of the same period last year), operating loss of 2,182 million yen (operating profit of 57 million yen in the same period last year) and EBITDA of 332 million yen (27.8% of the same period last year) during the nine months ended July 31, 2020.

(Kyushu Sanko Group)

The Kyushu Sanko Group saw a slight recovery due to the relaxation of voluntary restraint on going out after the lifting of the declaration of the state of emergency, but the bus, food and beverage sales, and travel businesses continued to be affected by the spread of the new coronavirus.

As a result of the above, net sales were 15,432 million yen (94.1% of the same period last year) and operating loss was 949 million yen (operating profit of 239 million yen in the same period last year) during the nine months ended July 31, 2020.

(Energy Business)

In the Energy Business, power consumption in the electric power retail business was sluggish due to restrictions on business activities as a result of the spread of the new coronavirus and sluggish economic activity. In addition, online advertising was strengthened and online subscriptions were promoted due to the rising rate of people staying at home and the growing trend to save money. However, the plans were not achieved.

As a result of the above, net sales were 18,878 million yen (135.9% of the same period last year) and operating profit was 189 million yen (38.2% of the same period last year) during the nine months ended July 31, 2020.

As a result of the above, H.I.S. Group recorded net sales of 401,016 million yen (69.9% of the same period last year), operating loss of 16,793 million yen (operating profit of 11,331 million yen in the same period last year), ordinary loss of 16,595 million yen (ordinary profit of 11,251 million yen in the same period last year), and net loss attributable to owners of parent of 16,939 million yen (net profit attributable to owners of parent of 6,478 million yen in the same period last year) during the nine months ended July 31, 2020.

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

Consolidated financial forecasts for the year ending October 31, 2020 have been revised from the forecasts announced on June 24, 2020, with net sales of 424,000 million yen (52.4% of the previous year), operating loss of 36,700 million yen (Operating profit of 17,540 million yen in the previous year), ordinary loss of 36,000 million yen (ordinary profit of 17,089 million yen in the previous year), and net loss attributable to owners of the parent company of 31,800 million yen (net profit attributable to owners of parent company of 12,249 million yen in the previous year). Please refer to the "Notice of Revisions to Financial Forecasts and Dividend Forecasts" released today (September 25, 2020).

2. Consolidated Financial Statements

(Millions of yen)

	As of October 31, 2019	As of July 31, 2020
Assets		
Current assets		
Cash and deposits	219,175	96,576
Notes and accounts receivable - trade	45,653	14,013
Trade accounts receivable	4,287	580
Travel advance payments	52,102	14,299
Prepaid expenses	2,888	2,183
Short-term loans receivable	1,389	341
Short-term loans receivable from subsidiaries and associates	307	408
Accounts receivable - other	16,936	10,010
Other	6,305	7,741
Allowance for doubtful accounts	△766	△1,786
Total current assets	348,280	144,367
Non-current assets		
Property, plant and equipment		
Buildings, net	53,394	67,173
Tools, furniture and fixtures, net	7,567	10,891
Land	47,654	76,004
Leased assets, net	3,330	14,253
Construction in progress	27,874	24,781
Other, net	7,277	7,534
Total property, plant and equipment	147,098	200,638
Intangible assets		
Goodwill	7,305	5,331
Other	19,271	17,047
Total intangible assets	26,576	22,378
Investments and other assets		
Investment securities	16,270	11,699
Shares of subsidiaries and associates	3,241	3,401
Investments in capital of subsidiaries and associates	50	50
Long-term loans receivable	3,313	3,367
Long-term loans receivable from subsidiaries and associates	1,071	2,239
Retirement benefit asset	529	562
Deferred tax assets	8,134	10,955
Guarantee deposits	11,862	11,248
Other	11,189	9,007
Allowance for doubtful accounts	△388	△1,773
Total investments and other assets	55,275	50,759
Total non-current assets	228,951	273,776
Deferred assets	168	142
Total assets	577,399	418,286

(Millions of yen)

	As of October 31, 2019	As of July 31, 2020
Liabilities		
Current liabilities		
Trade accounts payable	38,082	7,943
Short-term borrowings	6,903	6,416
Current portion of long-term borrowings	37,548	21,788
Accounts payable - other	22,319	4,915
Accrued expenses	4,517	3,766
Income taxes payable	3,904	1,231
Accrued consumption taxes	1,057	563
Travel advance received	92,760	18,211
Lease obligations	793	2,638
Provision for bonuses	5,510	1,664
Provision for bonuses for directors (and other officers)	224	60
Other	17,950	15,465
Total current liabilities	231,572	84,667
Non-current liabilities		
Bonds payable	※ 30,000	※ 30,000
Convertible bond-type bonds with share acquisition rights	※ 25,090	※ 25,077
Long-term borrowings	※ 146,403	※ 148,338
Deferred tax liabilities	4,789	4,804
Retirement benefit liability	7,715	7,847
Provision for retirement benefits for directors (and other officers)	371	367
Lease obligations	2,767	13,982
Other	4,779	4,580
Total non-current liabilities	221,918	234,997
Total liabilities	453,490	319,664
Net assets		
Shareholders' equity		
Share capital	11,000	11,000
Capital surplus	3,392	3,417
Retained earnings	112,409	93,233
Treasury shares	△28,309	△27,969
Total shareholders' equity	98,493	79,681
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,019	487
Deferred gains or losses on hedges	75	△10
Foreign currency translation adjustment	△2,626	△6,310
Remeasurements of defined benefit plans	△187	△58
Total accumulated other comprehensive income	△1,719	△5,891
Share acquisition rights	—	34
Non-controlling interests	27,135	24,798
Total net assets	123,909	98,621
Total liabilities and net assets	577,399	418,286

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

Consolidated Statements of Income

(Millions of yen)

	Nine months ended July 31, 2019	Nine months ended July 31, 2020
Net sales	573,717	401,016
Cost of sales	469,910	337,427
Gross profit	103,807	63,589
Selling, general and administrative expenses	92,475	80,382
Operating profit (loss)	11,331	△16,793
Non-operating income		
Interest income	1,217	1,032
Share of profit of entities accounted for using equity method	16	—
Other	1,437	1,384
Total non-operating income	2,670	2,417
Non-operating expenses		
Interest expenses	569	829
Share of loss of entities accounted for using equity method	—	139
Foreign exchange losses	856	11
Other	1,324	1,237
Total non-operating expenses	2,750	2,218
Ordinary profit (loss)	11,251	△16,595
Extraordinary income		
Gain on sales of investment securities	559	965
Subsidy income	—	4,867
Gain on reversal of share acquisition rights	513	—
Total extraordinary income	1,073	5,832
Extraordinary losses		
Impairment loss	—	4,847
Provision of allowance for doubtful accounts	—	1,396
losses from downtime	—	4,364
Total extraordinary losses	—	10,608
Profit (loss) before income taxes	12,324	△21,371
Income taxes	4,533	△1,321
Profit (loss)	7,790	△20,050
Profit (loss) attributable to non-controlling interests	1,311	△3,377
Profit (loss) attributable to owners of parent	6,478	△16,673

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended July 31, 2019	Nine months ended July 31, 2020
Profit (loss)	7,790	△20,050
Other comprehensive income		
Valuation difference on available-for-sale securities	1,854	△532
Deferred gains or losses on hedges	△189	△83
Foreign currency translation adjustment	△1,106	△3,885
Remeasurements of defined benefit plans, net of tax	73	133
Share of other comprehensive income of entities accounted for using equity method	△0	△3
Total other comprehensive income	631	△4,370
Comprehensive income	8,421	△24,421
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,428	△20,845
Comprehensive income attributable to non-controlling interests	993	△3,575

(3) Notes on Quarterly Consolidated Financial Statements

(Financial Covenants)

(1) Syndicated Loan (Balance: 34,500 million yen)

- ① The amount of net assets on the consolidated balance sheet as of the end of each consolidated fiscal year shall be maintained at 75% or more of the amount of net assets on the consolidated balance sheet as of the end of the immediately preceding consolidated fiscal year.
- ② No ordinary loss shall be recorded for two consecutive fiscal years on the consolidated income statement, including the report at the end of each fiscal year.

(2) Unsecured Bonds (Balance: 30,000 million yen)

The following shall not happen.

- ① If any bonds other than these unsecured bonds lose the benefit of time or cannot be repaid when they become due.
- ② If any debt obligations other than bonds lose the benefit of time, or if any guarantee obligations by H.I.S. Co., Ltd. for bonds or other debt obligations other than those of H.I.S. Co., Ltd. are not performed despite the fact that it is obligated to do so. However, this provision shall not apply if the total amount of such debts does not exceed 500 million yen.

(3) Convertible Bond-Type Bonds with Stock Acquisition Rights (Balance: 25,077 million yen)

The following shall not happen.

If any debt obligations other than bonds, or if any guarantee obligations by H.I.S. Co., Ltd. for bonds or other debt obligations other than those of H.I.S. Co., Ltd. are not performed despite the fact that it is obligated to do so. However, this provision shall not apply if the total amount of such debts does not exceed 500 million yen.

(Segments Information)

Information on net sales, incomes or losses by reported segment

Nine months ended Jul 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	8,150	3,717	57	239	495	12,660	448	13,109	(1,778)	11,331

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.

Nine months ended Jul 31, 2020 (November 1, 2019 – July 31, 2020)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Emanations & Corporate *2	Consolidated *3
	Travel Business	Huis Ten Bosch Group	Hotel Business	Kyushu Sanko Group	Energy Business	Subtotal				
Net Sales										
(1)Sales of outside customers	345,401	10,123	6,968	15,429	18,789	396,712	4,304	401,016	—	401,016
(2)Inter-Segment sales/transfers	527	557	495	2	89	1,670	438	2,109	(2,109)	—
Total	345,928	10,680	7,464	15,432	18,878	398,383	4,742	403,126	(2,109)	401,016
Segment income (loss)	(11,959)	(2,093)	(2,182)	(949)	189	(16,995)	1,432	(15,563)	(1,230)	(16,793)

Note

1. Other Businesses refer to the business segment not included in the report segment, casualty insurance business and real estate businesses among others.
2. Segment incomes (loss) of (1,230) millions of yen are corporate-wide expenses not included in each reported segment and refer to administrative expenses at the headquarters, not included in the reported segment.
3. Segment incomes (loss) are adjusted with operating incomes in the consolidated financial statements.
4. As of the end of October 2019, provisional accounting for consolidation was finalized. As a result, the figures for the 3rd quarter of the fiscal year ended October 2019 reflect the finalization of the provisional accounting treatment.