

**Consolidated Financial Results for the First Nine Months
of the Fiscal Year Ending October 31, 2017 (Under Japanese GAAP)**

* Please note this document is a translation of the original Japanese document “Financial Results for the 9 months ended July 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.

August 25, 2017

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: August 30, 2017

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 Nine Months of the Fiscal Year Ending October 31, 2017
(November 1, 2016 – July 31, 2017)**

(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, 2017	415,115	11.8	8,117	3.0	12,316	431.3	8,780	—
Jul 31, 2016	371,224	Δ 2.9	7,885	Δ 33.1	2,318	Δ 84.5	Δ 1,132	—

(*Note) Comprehensive Income: JPY12,689 million (—%) for the 9 months ended July 31, 2017

JPY6,422 million (—%) for the 9 months ended July 31, 2016

	EPS	Diluted EPS
9 months ended	JPY	JPY
Jul 31, 2017	144.01	134.27
Jul 31, 2016	Δ 17.89	—

(*Note) Dilutive shares exist, but diluted EPS as of July 31, 2016 is not recorded due to net loss per share.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	BPS
As of	JPY million	JPY million	%	JPY
Jul 31, 2017	415,679	103,251	19.1	1,358.86
Oct 31, 2016	332,385	95,139	23.9	1,295.35

(*Reference) Shareholders' Equity : JPY79,480 million as of July 31, 2017

JPY79,592 million as of October 31, 2016

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, 2016	JPY —	JPY 0.00	JPY —	JPY 22.00	JPY 22.00
Fiscal Year ending October 31, 2017	—	0.00	—		
Fiscal Year ending October 31, 2017(Forecast)				26.00	26.00

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

3. Financial Forecasts for Fiscal Year ending October 31, 2017 (November 1, 2016 – October 31, 2017)

(% 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
Oct 31, 2017	580,000	10.7	20,000	40.1	23,000	165.9	12,000	—	205.16

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

(*Notes)

(1) Changes in significant subsidiaries during the 9 months ended July 31, 2017 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly added: 1 (Name) Green World Hotels Co., Ltd.

Excluded: 1 (Name) ASIAATLANTIC AIRLINES CO., LTD.

(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 Jul 31, 2017	68,522,936 shares
As of Oct 31, 2016	68,522,936 shares

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

As of Jul 31, 2017	10,032,506 shares
As of Oct 31, 2016	7,078,316 shares

3) Average Number of Shares during the period

9 months ended Jul 31, 2017	60,972,606 shares
9 months ended Jul 31, 2016	63,314,710 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 (376,100 shares as of July 31, 2017 and 456,400 shares as of October 31, 2016) and the number of treasury stock deducted in calculating the average number of shares during the period (416,530 shares during 9 months ended July 31, 2017 and 96,960 shares as of July 31, 2016).

(*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 for the 9 Months ended July 31, 2017

(1) Explanation of Operating Results

Regarding the business environment during the 9 months ended July 31, 2017 (consolidated), the world economy continued to see unstable international situation and geopolitical risks. On the other hand, domestic economy continued to see gradual recovery trend due partly to effects of various policies as the employment and income environment continued to improve.

Under such circumstances, H.I.S. Group reorganized its business execution structure to respond to expanding business domains. 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 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 outbound travelers departed Japan during the 9 months ended July 31, 2017 (consolidated) increased by 6.7% as compared to the same period last year to 12.83 million due partly to recovery of demand that had decreased due to terrorist attacks in Europe and other reasons, which was partially offset by the negative impact of East Asian situation. On the other hand, the number of inbound travelers to Japan increased by 16.8% as compared to the same period last year to 20.36 million, with all the 20 major markets showing the highest number ever (Source: JNTO).

H.I.S Group's outbound travel business from Japan, which is its pillar business, successfully captured early demands by holding "Super Summer Sale", the largest campaign during the summer season, earlier than usual. Meanwhile, due to the growing use of smartphone, H.I.S. Group made efforts to further improve reservation sites and to enhance travel searches using SNS, resulting in favorable online reservations. In the outbound travel business from Japan, the number of travelers increased by 4.1% as compared to the same period last year, and the amount of travel handling volume increased by 11.1% as compared to the same period last year as a result of strengthening the launch of number one and only one content in popular destinations such as Hawaii and Europe. In the domestic travel business in Japan, despite natural disasters, in addition to strengthening tours to Okinawa by using popular characters, popular bus tours enjoyed favorable reservations due to the introduction of premium buses and renewal of reservation sites, resulting in the highest number ever in terms of the number of trips.

Regarding outbound travel business from overseas, efforts were made to continue to introduce and strengthen management resources to capture travel demand in Asia, where the number of outbound travelers is rapidly increasing due to economic development. Especially in Southeast Asia including Thailand, Indonesia, and Vietnam, H.I.S. Group actively participated in travel expo and other events in each country to increase the number of local travelers. On the other hand, regarding the inbound travel business overseas, H.I.S. Group continued to make efforts to strengthen inbound businesses. That led to

the recovery of European demand, especially, the ratio of non-Japanese traveler to Indonesia reached more than 50% for the first time.

Regarding the inbound travel business to Japan, the number of foreign visitors to Japan still continues to show significant increase. The government target for 2020 was set at 40 million visitors and the market is expected to further expand. The number of H.I.S. Group's customers from Europe and the U.S. in addition to China and Southeast Asia has been increasing, while "parts sales" for individual travelers have been increasing substantially. In the MICE business that has been performing well, as a result of strengthening sales activities in Asian countries, the number of travelers in each country increased.

In the meantime, H.I.S. Group's sales network continued to expand globally with 294 locations in Japan and 278 locations in 157 cities in 66 countries outside of Japan as of the end of the 3rd quarter of the current fiscal year (as of the end of July, 2017).

As a result of the above, Travel Business recorded net sales of 366,178 million yen (111.1% of the same period last year) and operating income of 4,447 million yen (95.8% of the same period last year).

During the nine months ended July 31, 2017, GROUP MIKI HOLDINGS LIMITED became a consolidated subsidiary of H.I.S. Group. Its balance sheet was included in the 3rd quarter consolidated financial statements of H.I.S. Group, while its income statement is to be included in the consolidated financial statements from the 4th quarter.

(Huis Ten Bosch Group)

Huis Ten Bosch focused on attracting its customers through various events, such as "No.1 Spring Fireworks in Kyushu", "Kyushu Gourmet Event", "Rose Festival" which is a regular event during Golden Week, "World Fireworks Pyrotechnist Competition" held for two days, the 5th year "Hydrangea Festival" whose varieties increased to 1,100 varieties, marathon and live events.

Also, Huis Ten Bosch won the first place for the 5th year in a row in the "Jaran Kyushu/Yamaguchi Popular Tourist Area Ranking" and is regarded as the most popular tourist destination in Kyushu/Yamaguchi area.

Celebrating its 25th anniversary, Huis Ten Bosch focused on further enhancing experience value by providing only one and number one content that can be enjoyed by three generations with 5 events including "Kingdom of Flowers", "Kingdom of Lights", "Kingdom of Music and Show" as the core as well as the 6th kingdom "Kingdom of Robots". As a result, the number of visitors and amount of transactions in and after April 2017 was significantly larger as compared to the same period last year. The number of visitors during the 9 months (1st quarter to 3rd quarter) was 2,120,000 (100.9% of the same period last year).

Laguna Ten Bosch focused on attracting customers by opening its swimming pool ahead of the summer season in addition to visitor increase through events held mainly in Tokai area in May. On the other hand, a new hotel, "Henn na Hotel Laguna Ten Bosch" (Gamagori City, Aichi Prefecture) started its operations in August 2017.

Meanwhile, HTB Energy, which had become a member of H.I.S. Group in the last fiscal year, conducted its full-fledged business development in the fully liberalized electric power retail market. This energy business is expected to greatly contribute to the increase of consolidated net sales and earnings of H.I.S. Group for this fiscal year.

As a result of the above, Huis Ten Bosh Group recorded net sales of 24,966 million yen (112.9% of the same period last year) and operating income of 5,188 million yen (103.5% of the same period last year).

(Hotel Business)

Hotel Business, which H.I.S. Group is aiming to strengthen as the third pillar following Travel Business and Huis ten Bosh Group, established HIS Hotel Holdings Co., Ltd. in November 2016 to manage its Hotel Business and to realize the operation of 100 hotels over the medium to long term. As with Travel Business' outbound travel from overseas, Hotel Business has a great potential for growth by capturing travel demands in Asia. H.I.S. Group is considering and preparing hotel business deployment in Japan, such as Tokyo, Osaka, and Kyoto, where hotel room shortage is becoming more serious, and overseas, centering on destinations preferred by Asian customers.

In March 2017, Henn na Hotel Maihama Tokyo Bay started its operations. As a result of consecutive holiday demands and improved recognition, it has been maintaining high occupancy rates by attracting customers. On the other hand, Guam Reef & Olive Spa Resort (Guam) recorded favorable sales as a result of successful online response to individual travelers, such as being highly ranked in the world's largest class travel review site.

As a result of the above, Hotel Business recorded net sales of 5,346 million yen (104.4% of the same period last year), operating income of 609 million yen (119.3% of the same period last year), and EBITDA of 1,233 million yen (107.4% of the same period last year).

During the nine months ended July 31, 2017, Green World Hotels Co., Ltd. became a consolidated subsidiary of H.I.S. Group. Its balance sheet was included in the 3rd quarter consolidated financial statements of H.I.S. Group, while its income statement is to be included in the consolidated financial statements from the 4th quarter.

(Transportation Business)

Transportation Business recorded net sales of 3,272 million (136.7% of the same period last year) and operating loss of 840 million yen (operating loss of 586 million yen in the same period last year). At the end of the 3rd quarter this year, the status of ASIA ATLANTIC AIRLINES CO., LTD. was changed from a consolidated subsidiary to an equity-method affiliated company. Operating results of ASIA ATLANTIC AIRLINES CO., LTD. in the 4th quarter this year and beyond will be accounted using equity method.

(Kyushu Sanko Group)

Kyushu Sanko Group's business showed a recovery trend one year after Kumamoto Earthquake, including the highway bus business whose sales had declined. Sakuramachi redevelopment project also progressed as scheduled. As a result, Kyushu Sanko Group recorded net sales of 16,534 million yen (110.4% of the same period last year) and operating income of 310 million yen (1464.0% of the same period last year).

As a result of the above, H.I.S. Group recorded net sales of 415,115 million yen (111.8% of the same period last year) and operating income of 8,117 million yen (103.0% of the same period last year) during the consolidated 9 months ended July 31, 2017. Ordinary income was 12,316 million (531.3% of the same period last year) due to foreign exchange gain of 2,697 million yen (6,318 million yen foreign exchange loss in the same period last year), and net income attributable to parent company shareholders was 8,780 million yen (1,132 million yen net loss attributable to parent company shareholders of the same period last year), which was a record high.

(2) Explanation of Financial Position

Total assets as of the end of July 2017 increased by 83,294 million yen as compared to the end of October 2016 to 415,679 million yen. This was due mainly to 43,895 million yen increase in cash and deposits and 12,156 million yen increase in travel advance payments. Increase in cash and deposits was attributable to increase in travel advance received and proceeds from issuance of bonds payable and long-term loans, partially offset by acquisition of treasury stock.

Total liabilities as of the end of July 2017 increased by 75,183 million yen as compared to the end of October 2016 to 312,428 million yen. This was due mainly to 31,929 million yen increase in travel advance received, 20,000 million yen issuance of bonds payable and 12,310 million yen increase in long-term loans payable.

Net assets as of the end of July 2017 increased by 8,111 million yen as compared to the end of October 2016 to 103,251 million yen. This was due mainly to 8,093 million yen increase in non-controlling shareholders' interest and 7,418 million yen increase in retained earnings due to interim net income, partially offset by 9,999 million yen acquisition of treasury stock.

Equity ratio as of the end of July 2017 was 19.1% as compared to 23.9% as of the end of October 2016. This was due to fund raising through bonds payable, convertible bonds and bank loans. Equity ratio excluding the impact of the fund raising was 30.7% as of the end of July 2017 and 38.7% as of the end of October 2016. 30.7% as of the end of July 2017 was due to capital decrease as compared to the end of October 2016 through acquisition of treasury stock, etc., as well as increase in liabilities due to an increase in travel advance received due to seasonal changes, etc.

(3) Explanation of Forward Looking Information including Consolidated Financial Forecasts

There is no change to the consolidated financial forecasts that were announced on the financial statements (Kessan Tanshin) dated December 9, 2016.

If the following events occur, there is a possibility that the full year financial forecasts are affected.

1) Foreign Currency Fluctuations

H.I.S. Group has foreign currency denominated transactions, and as a result, has income, expenses, assets and liabilities denominated in foreign currencies. Foreign exchange contracts and other measures are used as a risk hedge to reduce the impact of fluctuations in exchange rates, but if the exchange rate fluctuates significantly, there is a possibility that the full year financial forecasts are affected.

2) Fuel Surcharges Fluctuations

Fuel surcharges included in the sales of Travel Business may be increased or reduced as the price of fuel oil fluctuates. This may have an impact on consolidated sales forecasts, but has no impact on consolidated operating income, ordinary income, net income attributable to parent shareholders, and EPS forecasts.

3) External Factors

Unstable international situations and geopolitical risks in East Asia, Europe and other regions may have an impact on the full year financial forecasts.

2. Issues related to Summary Information (Notes)

(1) Application of accounting treatment specific to preparation of quarterly consolidated financial statements

(Calculation of Income Taxes)

Incomes taxes were calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes and by multiplying income before income taxes (for the fiscal year that includes the 9 months ended July 31, 2017) by the effective tax rate.

Consolidated Balance Sheet

(Millions of yen)

	As of October 31, 2016	As of July 31, 2017
Assets		
Current assets		
Cash and deposits	159,011	202,906
Accounts receivable - trade	24,063	29,289
Operating accounts receivable	8,084	4,827
Securities	2,998	37
Travel advance payments	24,387	36,543
Prepaid expenses	2,583	2,345
Deferred tax assets	2,628	2,442
Short-term loans receivable	65	2,285
Short-term loans receivable from subsidiaries and associates	78	43
Accounts receivable - other	3,001	1,598
Other	6,705	7,354
Allowance for doubtful accounts	△77	△142
Total current assets	233,531	289,532
Non-current assets		
Property, plant and equipment		
Buildings, net	14,349	20,809
Tools, furniture and fixtures, net	4,360	4,545
Vessels, net	971	68
Land	23,441	27,489
Leased assets, net	2,804	2,532
Other, net	16,363	21,246
Total property, plant and equipment	62,291	76,691
Intangible assets		
Goodwill	268	7,849
Other	5,288	7,210
Total intangible assets	5,556	15,059
Investments and other assets		
Investment securities	1,704	7,823
Shares of subsidiaries and associates	6,681	1,983
Investments in capital of subsidiaries and associates	74	74
Long-term loans receivable	6,557	4,835
Long-term loans receivable from subsidiaries and associates	85	133
Net defined benefit asset	318	337
Deferred tax assets	3,355	3,704
Guarantee deposits	6,758	7,812
Other	5,492	7,643
Allowance for doubtful accounts	△206	△179
Total investments and other assets	30,822	34,169
Total non-current assets	98,670	125,920
Deferred assets	183	226
Total assets	332,385	415,679

(Millions of yen)

	As of October 31, 2016	As of July 31, 2017
Liabilities		
Current liabilities		
Operating accounts payable	18,744	20,899
Short-term loans payable	8,915	6,789
Current portion of long-term loans payable	583	1,791
Accounts payable - other	2,487	3,057
Accrued expenses	3,004	6,494
Income taxes payable	829	2,209
Accrued consumption taxes	595	700
Travel advance received	53,293	85,222
Lease obligations	925	860
Provision for bonuses	2,951	2,400
Provision for directors' bonuses	106	121
Other	10,368	15,378
Total current liabilities	102,805	145,925
Non-current liabilities		
Bonds payable	20,000	40,000
Convertible bond-type bonds with subscription rights to shares	20,113	20,083
Long-term loans payable	77,042	88,146
Deferred tax liabilities	4,754	4,801
Net defined benefit liability	6,886	7,583
Provision for directors' retirement benefits	788	834
Provision for repairs	761	264
Lease obligations	2,283	2,055
Other	1,808	2,733
Total non-current liabilities	134,440	166,502
Total liabilities	237,245	312,428
Net assets		
Shareholders' equity		
Capital stock	11,000	11,000
Capital surplus	3,665	3,652
Retained earnings	80,988	88,407
Treasury shares	△14,162	△23,915
Total shareholders' equity	81,491	79,144
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△152	167
Deferred gains or losses on hedges	△546	△66
Foreign currency translation adjustment	△744	436
Remeasurements of defined benefit plans	△455	△200
Total accumulated other comprehensive income	△1,899	335
Subscription rights to shares	77	205
Non-controlling interests	15,470	23,564
Total net assets	95,139	103,251
Total liabilities and net assets	332,385	415,679

Consolidated Statements of Income

(Millions of yen)

	Nine months ended July 31, 2016	Nine months ended July 31, 2017
Net sales	371,224	415,115
Cost of sales	295,699	337,155
Gross profit	75,524	77,959
Selling, general and administrative expenses	67,639	69,841
Operating income	7,885	8,117
Non-operating income		
Interest income	1,278	1,271
Foreign exchange gains	—	2,697
Other	1,013	1,183
Total non-operating income	2,291	5,152
Non-operating expenses		
Interest expenses	246	318
Foreign exchange losses	6,318	—
Share of loss of entities accounted for using equity method	958	0
Other	335	634
Total non-operating expenses	7,858	953
Ordinary income	2,318	12,316
Extraordinary income		
Gain on step acquisitions	—	2,009
Total extraordinary income	—	2,009
Extraordinary losses		
Loss on sales of non-current assets	—	641
Impairment loss	※ 3,426	—
Total extraordinary losses	3,426	641
Profit (loss) before income taxes	△1,108	13,684
Income taxes	△550	3,208
Profit (loss)	△557	10,476
Profit attributable to non-controlling interests	574	1,695
Profit (loss) attributable to owners of parent	△1,132	8,780

Segments Information

Information on net sales, incomes or losses by reported segment

Nine months ended July 31, 2016 (November 1, 2015 – July 31, 2016)

(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	329,306	20,956	4,231	1,733	14,962	371,190	34	371,224	—	371,224
(2)Inter-Segment sales/transfers	159	1,160	891	660	14	2,887	—	2,887	△2,887	—
Total	329,465	22,117	5,123	2,394	14,976	374,077	34	374,111	△2,887	371,224
Segment income (loss)	4,641	5,011	510	△586	21	9,599	22	9,621	△1,736	7,885

Note

1. Other Businesses refer to the business segment not included in the report segment, including real estate business.
2. Segment incomes (losses) of △1,736 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 July 31, 2017 (November 1, 2016 – July 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	365,292	23,843	4,609	3,181	16,516	413,444	1,670	415,115	—	415,115
(2)Inter-Segment sales/transfers	885	1,123	736	91	18	2,854	0	2,854	△2,854	—
Total	366,178	24,966	5,346	3,272	16,534	416,298	1,671	417,970	△2,854	415,115
Segment income (loss)	4,447	5,188	609	△840	310	9,715	△8	9,707	△1,589	8,117

Note

1. Other Businesses refer to the business segment not included in the report segment, including casualty insurance business and real estate business.
2. Segment incomes (losses) of △1,589 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.