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Annual Securities Report

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

(The 43rd Fiscal Year)

From November 1, 2022 to October 31, 2023

H.I.S. Co., Ltd.

4-1-1 Toranomon, Minato-ku, Tokyo

(E04358)

Table of Contents

Page

Cover

Part I Information on the Company ... 1

I. Overview of the Company ... 1

1. Key Financial Data and Trends ... 1
2. Corporate History ... 3
3. Description of Business ... 5
4. Information on Subsidiaries and Associates ... 8
5. Employees ... 14

II. Business Overview ... 16

1. Management Policy, Management Environment, and Issues to be Addressed, etc. ... 16
2. Views and Initiatives related to Sustainability ... 17
3. Business and Other Risks ... 22
4. Analyses of Financial Position, Business Results, and Cash Flows ... 23
5. Material Business Agreements, etc. ... 30
6. Research and Development Activities ... 30

III. Equipment and Facilities ... 31

1. Capital Expenditures ... 31
2. Principal Facilities ... 31
3. Plan for Additions and Disposals of Facilities ... 32

IV. Information on the Company ... 33

1. Information on the Company's Shares ... 33
   (1) Total Number of Shares, etc. ... 33
   (2) Information on Share Acquisition Rights, etc. ... 33
   (3) Information on Moving Strike Convertible Bonds, etc. ... 48
   (4) Changes in the Total Number of Issued Shares, Share Capital, etc. ... 49
   (5) Composition of Issued Shares by Type of Shareholders ... 50
   (6) Major Shareholders ... 50
   (7) Information on Voting Rights ... 51
2. Information on Acquisition of Treasury Shares, etc. ... 51
3. Dividend Policy ... 52
4. Corporate Governance, etc. ... 53
   (1) Overview of Corporate Governance ... 53
   (2) Directors and Other Officers ... 58
   (3) Status of Audits ... 64
   (4) Executive Remuneration, etc. ... 68
   (5) Information on Shareholdings ... 70

V. Financial Information ... 70

1. Consolidated Financial Statements, etc. ... 71
   (1) Consolidated Financial Statements ... 71
   (2) Others ... 127
2. Non-consolidated Financial Statements, etc. ... 128
   (1) Non-consolidated Financial Statements ... 128
   (2) Major Assets and Liabilities ... 142
   (3) Others ... 142

VI. Stock-related Administration for the Company ... 143

VII. Reference Information on the Company ... 144

1. Information on the Parent Company, etc. of the Company ... 144
2. Other Reference Information ... 144

Part II Information on Guarantors, etc. for the Company ... 144

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated financial data

Fiscal year		39th	40th	41st	42nd	43rd
Year end		October 2019	October 2020	October 2021	October 2022	October 2023
Net sales	(millions of yen)	808,510	430,284	118,563	142,794	251,866
Ordinary profit (loss)	(millions of yen)	17,089	(31,283)	(63,299)	(49,001)	1,446
Profit (loss) attributable to owners of parent	(millions of yen)	12,249	(25,037)	(50,050)	(9,547)	(2,618)
Comprehensive income	(millions of yen)	11,432	(33,573)	(48,430)	(2,424)	(124)
Net assets	(millions of yen)	123,909	98,421	64,145	56,636	58,149
Total assets	(millions of yen)	577,399	414,604	411,447	414,984	441,346
Net assets per share	(yen)	1,686.22	1,177.91	580.00	641.24	653.40
Earnings (loss) per share	(yen)	213.63	(432.66)	(749.86)	(130.00)	(35.35)
Diluted earnings per share	(yen)	197.66	—	—	—	—
Shareholders' equity ratio	(%)	16.8	17.8	9.9	11.4	11.1
Return on equity	(%)	13.2	—	—	—	—
Price-earnings ratio	(times)	13.2	—	—	—	—
Cash flows from operating activities	(millions of yen)	39,344	(57,718)	(28,397)	(14,915)	31,075
Cash flows from investing activities	(millions of yen)	(52,116)	(47,901)	(7,095)	53,520	(46,393)
Cash flows from financing activities	(millions of yen)	15,362	(5,602)	40,711	5,458	(11,785)
Cash and cash equivalents at end of period	(millions of yen)	192,541	80,445	88,079	136,939	110,836
Number of employees [Average number of temporary employees not included in the above]	(persons)	15,202 [3,191]	13,990 [2,333]	10,618 [1,832]	9,389 [1,460]	10,131 [1,685]

(Notes) 1. The Company had introduced the E-Ship® trust-type employee stock ownership incentive plan, but discontinued it in May 2021. In the consolidated financial statements for the 41st fiscal year and prior fiscal years, the Company recorded the shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust (the "Trust") as treasury shares. Accordingly, in calculating the amount of net assets per share, the "number of common stock held as treasury shares at fiscal year-end" is calculated by including the shares held by the Trust. In calculating earnings (loss) per share and diluted earnings per share, the "average number of outstanding shares of common stock during the period" is calculated by including shares held by the Trust in the treasury shares.

2. Although there were dilutive shares in the 40th, 41st, 42nd, and 43rd fiscal years, diluted earnings per share are not presented due to the recording of a loss per share.
3. In the 40th, 41st, 42nd, and 43rd fiscal years, return on equity and price-earnings ratio are not presented due to the recording of a loss attributable to owners of parent.
4. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan), etc. has been applied from the beginning of the 42nd fiscal year, and the figures for the 42nd and 43rd fiscal years reflect the application of the new accounting standard, etc.

(2) Non-consolidated financial data

Fiscal year		39th	40th	41st	42nd	43rd
Year end		October 2019	October 2020	October 2021	October 2022	October 2023
Net sales	(millions of yen)	479,445	159,261	26,694	39,967	132,882
Ordinary profit (loss)	(millions of yen)	6,551	(11,263)	(20,245)	(17,971)	(488)
Profit (loss)	(millions of yen)	6,848	(6,355)	(29,908)	27,971	(741)
Share capital	(millions of yen)	11,000	15,000	21,048	100	100
Shares issued and outstanding	(shares)	68,522,936	68,768,936	75,969,236	79,860,936	79,860,936
Net assets	(millions of yen)	24,741	24,677	7,262	42,636	42,776
Total assets	(millions of yen)	335,222	255,945	263,385	301,447	320,487
Net assets per share	(yen)	431.11	390.24	101.42	571.14	570.34
Total dividends per share (interim dividend amount)	(yen)	33.00 (－)	－ (－)	－ (－)	－ (－)	－ (－)
Earnings (loss) per share	(yen)	119.44	(109.83)	(448.09)	380.90	(10.01)
Diluted earnings per share	(yen)	110.25	－	－	356.80	－
Shareholders’ equity ratio	(%)	7.4	9.6	2.7	14.0	13.3
Return on equity	(%)	31.6	－	－	113.4	－
Price-earnings ratio	(times)	23.6	－	－	5.4	－
Dividend payout ratio	(%)	27.6	－	－	－	－
Number of employees [Average number of temporary employees not included in the above]	(persons)	5,638 [791]	5,896 [708]	4,078 [578]	3,822 [567]	3,984 [532]
Total shareholder return	(%)	83.2	41.9	75.7	61.1	50.5
(Benchmark: TOPIX incl. dividends)	(%)	(103.9)	(100.8)	(130.4)	(129.1)	(154.7)
Highest share price	(yen)	4,520	3,225	3,030	2,724	2,230
Lowest share price	(yen)	2,346	1,096	1,412	1,665	1,617

(Notes) 1. The Company had introduced the E-Ship® trust-type employee stock ownership incentive plan, but discontinued it in May 2021. In the non-consolidated financial statements for the 41st fiscal year and prior fiscal years, the Company recorded the shares held by the H.I.S. Employee Stock Ownership Association Dedicated Trust (the “Trust”) as treasury shares. Accordingly, in calculating the amount of net assets per share, the “number of common stock held as treasury shares at fiscal year-end” is calculated by including the shares held by the Trust. In calculating earnings (loss) per share and diluted earnings per share, the “average number of outstanding shares of common stock during the period” is calculated by including shares held by the Trust in the treasury shares.

2. Although there were dilutive shares in the 40th, 41st, and 43rd fiscal years, diluted earnings per share are not presented due to the recording of a loss per share.
3. In the 40th, 41st, and 43rd fiscal years, return on equity, price-earnings ratio, and dividend payout ratio are not presented due to the recording of a net loss.
4. The dividend payout ratio for the 42nd fiscal year is not presented as the Company did not pay a dividend.
5. The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange until April 3, 2022, and those on the Prime Market of the Tokyo Stock Exchange from April 4, 2022 onward.
6. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan), etc. has been applied from the beginning of the 42nd fiscal year, and the figures for the 42nd and 43rd fiscal years reflect the application of the new accounting standard, etc.

2. Corporate History

Month/Year	Events
December 1980	Established International Tours Co., Ltd. (capital: 10 million yen) at 1-4-6 Nishishinjuku, Shinjuku-ku, Tokyo
April 1981	Obtained Retail Agency License (No. 3034) from Ministry of Transportation
May 1985	Established HIS (HONG KONG) COMPANY LIMITED Opened Hong Kong branch as first overseas location
June 1986	Obtained General Travel Agency License (No. 724) from Ministry of Transportation
April 1990	Changed Company name to H.I.S. Co., Ltd.
August 1990	Established Passaporte Co., Ltd. (currently QUALITA Co., Ltd.)
September 1990	Established No. 1 Travel Shibuya Co., Ltd.
December 1990	Received approval as a certified International Air Transport Association (IATA) agent
May 1993	Opened Shinjuku Headquarters Branch (currently Shinjuku Head Office) as a flagship store at 5-33-8 Sendagaya, Shibuya-ku, Tokyo
March 1995	Shares registered with Japan Securities Dealers Association for over-the-counter sales
September 1995	Established THE WATERMARK HOTEL GROUP PTY LTD
November 1996	Established Skymark Airlines Inc. (currently outside the Group)
March 2000	Made H.I.S. Kyoritsu Securities Co., Ltd. (currently Sawada Holdings Co., Ltd.) a subsidiary (currently outside the Group)
April 2000	Moved headquarters to 1-12-1 Dogenzaka, Shibuya-ku, Tokyo
May 2000	Made Towa Travel Service (currently Orion Tour Co., Ltd.) a subsidiary
November 2002	Made Cruise Planet Co., Ltd. a subsidiary
December 2002	Listed shares on the Second Section of the Tokyo Stock Exchange
April 2004	Moved headquarters to 6-8-1 Nishishinjuku, Shinjuku-ku, Tokyo
October 2004	Listed shares on the First Section of the Tokyo Stock Exchange
October 2005	Acquired equity stake in Kyushu Industrial Transportation Co., Ltd. (currently KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.)
December 2008	Opened the Company's first hotel in Japan, Watermark Hotel Sapporo (currently outside the Group)
January 2009	Made Ohshu Express Ltd. a subsidiary
April 2010	Made Huis Ten Bosch Co., Ltd. a subsidiary (currently outside the Group)
July 2011	Opened Watermark Hotel Nagasaki Huis Ten Bosch (currently outside the Group)
April 2012	Made GUAM REEF HOTEL, INC. a subsidiary
July 2012	Made KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. a subsidiary
December 2012	Established ASIA ATLANTIC AIRLINES CO., LTD. (currently outside the Group)
May 2014	Established Laguna Ten Bosch Co., Ltd.
May 2015	Opened Watermark Hotel & Spa Bali, Jimbaran on Bali Island, Indonesia
July 2015	Opened Henn na Hotel Huis Ten Bosch (currently outside the Group)
September 2016	Made 0763658 B.C. LTD. and THE CANADIAN COLLEGE OF ENGLISH LANGUAGE LTD. (commonly known as Canadian College & CCEL) subsidiaries
November 2016	Established H.I.S. Hotel Holdings Co., Ltd.
December 2016	Made Merit Holdings Inc. a subsidiary Made H.S. Insurance Co., Ltd. a subsidiary
March 2017	Established H.I.S. SUPER Power Co., Ltd. (currently outside the Group) Opened Henn na Hotel Maihama Tokyo Bay
May 2017	Established H.I.S. Okinawa Co., Ltd. Made GROUP MIKI HOLDINGS LIMITED a subsidiary Made Green World Hotels Co., Ltd. a subsidiary
August 2017	Opened Henn na Hotel Laguna Ten Bosch
November 2017	Made JONVIEW CANADA INC. a subsidiary
December 2017	Opened Henn na Hotel Tokyo Nishikasai
January 2018	Opened Henn na Hotel Tokyo Ginza
April 2018	Opened Henn na Hotel Tokyo Hamamatsucho
July 2018	Opened Henn na Hotel Tokyo Asakusabashi Opened Henn na Hotel Tokyo Akasaka
October 2018	Opened Henn na Hotel Tokyo Haneda
January 2019	Opened Henn na Hotel Fukuoka Hakata Opened Henn na Hotel Osaka Shinsaibashi
March 2019	Opened Henn na Hotel Osaka Namba Made RED LABEL VACATIONS INC. a subsidiary

Month/Year	Events
April 2019	Opened Henn na Hotel Kyoto Hachijoguchi-ekimae
September 2019	Opened Henn na Hotel Tokyo Asakusa Tawaramachi Opened large-scale commercial facility SAKURA MACHI Kumamoto in Sakuramachi, Kumamoto
October 2019	Opened Henn na Hotel Kansai Airport
December 2019	Opened Henn na Hotel Kanazawa Korinbo
June 2020	Moved headquarters to 4-1-1 Toranomon, Minato-ku, Tokyo
August 2020	Established H.I.S. Real Estate Co., Ltd.
October 2020	Opened Watermark Hotel Kyoto Opened Henn na Hotel Nara
December 2020	Opened Henn na Hotel Komatsu-ekimae
March 2021	Succeeded operations of Resort Hotel Kume Island
June 2021	Established Green Ocean Co., Ltd. to operate a staffing business
July 2021	Opened Hotel VISON and Hatago VISON Opened Mantenno Tsujinoya, the first Japanese inn of the Japanese inn regeneration project
August 2021	Opened Henn na Hotel Seoul Myeongdong
September 2021	Opened Henn na Hotel Sendai Kokubuncho
October 2021	Opened Henn na Hotel New York
March 2022	Opened Hotel Inspira-S Tashkent
April 2022	As a result of the market reclassification of the Tokyo Stock Exchange, shares were transferred from the First Section to the Prime Market
May 2022	Transferred all shares of HTB ENERGY CO., LTD. to HBD, Inc.
August 2022	Opened Watermark Hotel & Resorts Okinawa Miyakojima
September 2022	Transferred all shares of Huis Ten Bosch Co., Ltd. to PAG HTB Holdings Co., Ltd.
October 2022	Opened glamping facility GLAMHIDE WITH DOG KOMATSU Transferred all shares of H.I.S. SUPER Power Co., Ltd. to Kyushu Ohisama Power Generation Co., Ltd.
December 2022	Established HIS Group Purpose Opened Henn na Hotel Kagoshima Tenmonkan Opened Henn na Hotel Nagoya Fushimi-ekimae
March 2023	Made SCI Stenberg College International Inc. a subsidiary
July 2023	Made Kokurensha Inc. (currently HIS Design and Plus Co., Ltd.) a subsidiary

3. Description of Business

The HIS Group (H.I.S. Co., Ltd. and associated companies; hereinafter, the "HIS Group" or the "Group") comprises H.I.S. Co., Ltd. (hereinafter, the "Company"), 170 subsidiaries, and 16 associates. The main businesses operated by the Group and the positioning of the Company and associated companies in these businesses are shown below.

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

Further, the Group has reclassified its reportable segments in the consolidated fiscal year ended October 31, 2023. For details, please refer to "Segment information, etc." in the "Notes to Consolidated Financial Statements" in "(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc." under "V. Financial Information, Part I Information on the Company."

(1) Travel business

The HIS Group businesses undertake domestic and overseas travel and other ancillary businesses.

[Associated companies]

HAWAII HIS CORPORATION
H.I.S. INTERNATIONAL TOURS (NY) INC.
H.I.S. GUAM, INC.
H.I.S. CANADA INC.
H.I.S. - MERIT TRAVEL INC.
H.I.S. SAIPAN, INC.
JONVIEW CANADA INC.
H.I.S. - RED LABEL VACATIONS INC.
H.I.S. KOREA CO., LTD.
H.I.S. Tours Co., Ltd.
PT. HARUM INDAH SARI TOURS & TRAVEL
HIS (HONG KONG) COMPANY LIMITED
H.I.S. TAIWAN COMPANY LIMITED
H.I.S. INTERNATIONAL TRAVEL PTE LTD
H.I.S. AUSTRALIA PTY. LTD.
H.I.S. EUROPE LIMITED
HIS INTERNATIONAL TOURS FRANCE SAS
H.I.S. Deutschland Touristik GmbH
H.I.S. EUROPE ITALY S.R.L.
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI
GROUP MIKI HOLDINGS LIMITED
Orion Tour Co., Ltd.
QUALITA Co., Ltd.
Ohshu Express Ltd.
TOUR WAVE CO., LTD.
Japan Holiday Travel Co., Ltd.
Cruise Planet Co., Ltd.
and 100 other companies

(2) Theme Park business

The HIS Group owns and operates a theme park located in Gamagori, Aichi Prefecture.

[Associated company]

Laguna Ten Bosch Co., Ltd.

(3) Hotel business

The HIS Group operates hotels and other ancillary businesses in Japan, Taiwan, the United States, Indonesia, etc.

[Associated companies]

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

(4) Kyushu Sanko Group

The Kyushu Sanko Group, whose holding company is KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., operates businesses including automobile transport and real estate leasing, etc.

[Associated companies]

KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.
and 14 other companies

(5) Other businesses

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

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

[Associated companies]

H.S. Insurance Co., Ltd.	SYS Inc.
	and 27 other companies

The following table illustrates the HIS Group's operating relationships.

Customers and agencies

↑

Provides domestic and overseas travel and other ancillary products and services

↑

H.I.S. Co., Ltd. (the Company)

- Sells various travel products such as overseas and domestic air tickets, hotels, railways, and cruises, and provides ancillary products and services

- Provides arrangements for overseas and domestic land travel
- Provides non-life insurance agency services

Consolidated subsidiaries	131 (*)
Non-consolidated subsidiaries	39 (unmarked)
Equity-method affiliates	1 (+)
Non-equity-method affiliates	15 (unmarked)
Total	186

Subsidiaries and associates

Travel business	
* HAWAII HIS CORPORATION	* H.I.S. AUSTRALIA PTY. LTD.
* H.I.S. INTERNATIONAL TOURS (NY) INC.	* H.I.S. EUROPE LIMITED
* H.I.S. GUAM, INC.	* H.I.S. INTERNATIONAL TOURS FRANCE SAS
* H.I.S. CANADA INC.	* H.I.S. Deutschland Touristik GmbH
* H.I.S. - MERIT TRAVEL INC.	* H.I.S. EUROPE ITALY S.R.L.
* H.I.S. SAIPAN, INC.	* HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI
* JONVIEW CANADA INC.	* GROUP MIKI HOLDINGS LIMITED
* H.I.S. - RED LABEL VACATIONS INC.	* Orion Tour Co., Ltd.
* H.I.S. KOREA CO., LTD.	* QUALITA Co., Ltd.
* H.I.S. Tours Co., Ltd.	* Ohshu Express Ltd.
* PT. HARUM INDAH SARI TOURS & TRAVEL	* TOUR WAVE CO., LTD
* HIS (HONG KONG) COMPANY LIMITED	* Japan Holiday Travel Co., Ltd.
+ H.I.S. TAIWAN COMPANY LIMITED	* Cruise Planet Co., Ltd.
* H.I.S. INTERNATIONAL TRAVEL PTE LTD	and 100 other companies: 74 (*), 26 (unmarked)

Theme Park business
* Laguna Ten Bosch Co., Ltd.

Hotel business	
* H.I.S. Hotel Holdings Co., Ltd.	* Green World Hotels Co., Ltd.
* GUAM REEF HOTEL, INC.	* HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI
* PT. HARUM INDAH SARI INDONESIA	and 9 other companies: 6 (*), 3 (unmarked)

Kyushu Sanko Group	
* KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.	and 14 other companies: 11 (*), 3 (unmarked)

Other	
* H.S. Insurance Co., Ltd.	* SYS Inc.
	and 27 other companies: 5 (*), 22 (unmarked)

(Notes) 1. H.I.S. CANADA INC. and JONVIEW CANADA INC. merged with RED LABEL VACATIONS INC. on August 1, 2023, and ceased to exist as separate entities as a result of the merger.

2. H.I.S. SAIPAN, INC. completed liquidation proceedings on October 18, 2023.

4. Information on Subsidiaries and Associates

(1) Consolidated subsidiaries

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. U.S.A. HOLDING, INC. (Note) 3	Delaware, U.S.A.	847 thousand USD	Travel business	100.0	1) Concurrent director Two concurrent directors at said company
HAWAII HIS CORPORATION (Note) 2 (Note) 3	Honolulu, Hawaii, U.S.A.	100 thousand USD	Travel business	100.0 (100.0)	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company guarantees liabilities (up to 62 million yen) against bank guarantees.
H.I.S. INTERNATIONAL TOURS (NY) INC. (Note) 2 (Note) 3	New York City, New York, U.S.A.	150 thousand USD	Travel business	100.0 (100.0)	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company guarantees liabilities (up to 142 million yen) against bank guarantees.
H.I.S. GUAM, INC. (Note) 2 (Note) 3	Guam, Territory of U.S.A.	200 thousand USD	Travel business	100.0 (100.0)	1) Business transaction The Company purchases travel products, etc. from said company.
H.I.S. - MERIT TRAVEL INC. (Note) 2 (Note) 3	Vancouver, British Columbia, Canada	45,395 thousand CAD	Travel business	100.0 (100.0)	1) Concurrent director Two concurrent directors at said company 2) Capital assistance The Company guarantees liabilities (up to 108 million yen) against bank guarantees.
H.I.S. CANADA HOLDINGS INC. (Note) 3	Vancouver, British Columbia, Canada	247,804 thousand CAD	Travel business	100.0	1) Concurrent director Two concurrent directors at said company 2) Capital assistance The Company loans 153 million yen in working capital.
H.I.S. - RED LABEL VACATIONS INC. (Note) 2 (Note) 3	Vancouver, British Columbia, Canada	142,993 thousand CAD	Travel business	100.0 (100.0)	1) Concurrent director Two concurrent directors at said company 2) Business transaction The Company sells travel products, etc. of said company.
H.I.S. (China) Holding Co., Limited (Note) 3	Hong Kong Special Administrative Region, People’s Republic of China	47,257 thousand HKD	Travel business	100.0	1) Concurrent director Two concurrent directors at said company
H.I.S. KOREA CO., LTD. (Note) 3	Seoul, Republic of Korea	425,000 thousand KRW	Travel business	58.8	1) Business transaction Purchasing and sales of travel products, etc. between the companies

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. Tours Co., Ltd. (Note) 3	Bangkok, Kingdom of Thailand	20,000 thousand THB	Travel business	100.0	1) Business transaction Purchasing and sales of travel products, etc. between the companies 2) Capital assistance The Company guarantees liabilities (up to 208 million yen) against bank guarantees.
PT. HARUM INDAH SARI TOURS & TRAVEL (Note) 3	Denpasar, Republic of Indonesia	168 thousand USD	Travel business	90.0	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company loans 270 million yen in working capital.
HIS (HONG KONG) COMPANY LIMITED (Note) 2 (Note) 3	Hong Kong Special Administrative Region, People's Republic of China	1,500 thousand HKD	Travel business	100.0 (100.0)	1) Concurrent director Two concurrent directors at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies
H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD. (Note) 2 (Note) 3	Republic of Singapore	17,000 thousand USD	Travel business	100.0 (0.1)	1) Business transaction Purchasing and sales of travel products, etc. between the companies
H.I.S. INTERNATIONAL TRAVEL PTE LTD (Note) 2 (Note) 3	Republic of Singapore	400 thousand SGD	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies
H.I.S. AUSTRALIA PTY. LTD. (Note) 2	Queensland, Australia	25 thousand AUD	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies
H.I.S. EUROPE LIMITED (Note) 2 (Note) 3	London, England	210 thousand GBP	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies
GROUP MIKI HOLDINGS LIMITED (Note) 3	London, England	116 thousand EUR	Travel business	70.3	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company loans 3,966 million yen in working capital.
HIS INTERNATIONAL TOURS FRANCE SAS (Note) 2 (Note) 3	Paris, France	2,030 thousand EUR	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies 2) Capital assistance The Company guarantees liabilities (up to 43 million yen) against bank guarantees.

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. Deutschland Touristik GmbH (Note) 2	Frankfurt, Germany	25 thousand EUR	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies 2) Capital assistance The Company guarantees liabilities (up to 62 million yen) against bank guarantees.
H.I.S. EUROPE ITALY S.R.L. (Note) 2 (Note) 3	Rome, Italy	83 thousand EUR	Travel business	100.0 (100.0)	1) Business transaction Purchasing and sales of travel products, etc. between the companies
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI (Note) 3	Istanbul, Turkey	9,132 thousand TRY	Travel business	100.0	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company guarantees liabilities (up to 1,170 million yen) against bank guarantees, provides payment guarantees (up to 299 million yen) for trade payables, and loans 74 million yen in working capital.
Orion Tour Co., Ltd. (Note) 3	Chuo-ku, Tokyo	248 million yen	Travel business	100.0	1) Concurrent director One concurrent director at said company 2) Business transaction The Company purchases travel products, etc. from said company.
QUALITA Co., Ltd. (Note) 3	Minato-ku, Tokyo	51 million yen	Travel business	100.0	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company provides payment guarantees (up to 20 million yen) for trade payables.
Ohshu Express Ltd. (Note) 3	Minato-ku, Tokyo	100 million yen	Travel business	100.0	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies
TOUR WAVE CO., LTD. (Note) 2 (Note) 3	Aoba-ku, Sendai, Miyagi Prefecture	80 million yen	Travel business	100.0 (100.0)	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company provides payment guarantees (up to 10 million yen) for trade payables.

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
Japan Holiday Travel Co., Ltd. (Note) 3	Chuo-ku, Osaka, Osaka Prefecture	30 million yen	Travel business	66.7	1) Concurrent director Two concurrent directors at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company guarantees liabilities (up to 1,850 million yen) against bank guarantees and loans 150 million yen in working capital.
Cruise Planet Co., Ltd. (Note) 3	Chiyoda-ku, Tokyo	25 million yen	Travel business	100.0	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies
Laguna Ten Bosch Co., Ltd. (Note) 3	Gamagori, Aichi Prefecture	1,588 million yen	Theme Park business	66.0	1) Concurrent director Two concurrent directors at said company 2) Business transaction The Company purchases travel products, etc. from said company.
H.I.S. Hotel Holdings Co., Ltd. (Note) 3 (Note) 5	Minato-ku, Tokyo	10 million yen	Hotel business	100.0	1) Concurrent director Two concurrent directors at said company 2) Business transaction Purchasing and sales of hotel products, etc. between the companies 3) Capital assistance The Company guarantees liabilities (up to 235 million yen) against bank guarantees and loans 71,596 million yen in working capital and capital expenditure funding.
Aquaignis Taki Hotel Asset Co.,Ltd. (Note) 2 (Note) 3 (Note) 6	Taki, Mie Prefecture	100 million yen	Hotel business	50.0 (50.0)	―――
HHH.USA. INC. (Note) 2 (Note) 3	New York City, New York, U.S.A.	10,000 thousand USD	Hotel business	100.0 (100.0)	―――
GUAM REEF HOTEL, INC. (Note) 2	Guam, Territory of U.S.A.	10 thousand USD	Hotel business	100.0 (100.0)	1) Business transaction The Company purchases hotel products, etc. from said company. 2) Capital assistance The Company loans 299 million yen in working capital and capital expenditure funding.
PT. HARUM INDAH SARI INDONESIA (Note) 2 (Note) 3	Badung, Bali, Republic of Indonesia	180 billion IDR	Hotel business	100.0 (1.0)	―――
Green World Hotels Co., Ltd. (Note) 2 (Note) 3	Taipei City, Taiwan	219 million TWD	Hotel business	51.0 (51.0)	1) Capital assistance The Company guarantees liabilities (up to 1,755 million yen) against bank guarantees.

Company name	Location	Capital	Main business	Ownership of voting rights (%)	Relationship
HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI (Note) 2 (Note) 3	Istanbul, Turkey	334,283 thousand TRY	Hotel business	51.0 (51.0)	1) Concurrent director One concurrent director at said company
KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. (Note) 3 (Note) 4	Chuo-ku, Kumamoto, Kumamoto Prefecture	1,065 million yen	Kyushu Sanko Group	91.6	1) Concurrent director One concurrent director at said company 2) Business transaction Purchasing and sales of travel products, etc. between the companies 3) Capital assistance The Company loans 1,977 million yen in capital expenditure funding.
H.S. Insurance Co., Ltd. (Note) 3	Chuo-ku, Tokyo	1,612 million yen	Other businesses	100.0	1) Business transaction The Company is a sales representative for travel insurance, etc.
SYS Inc. (Note) 3	Minato-ku, Tokyo	100 million yen	Other businesses	91.4	1) Concurrent director Two concurrent directors at said company 2) Business transaction The Company outsources development of accommodation reservation systems, etc. 3) Capital assistance The Company loans 1,396 million yen in working capital.
And 93 other companies					

(Notes) 1. The “Main business” column indicates segment names stated in “Segment information, etc.”

2. Figures in parentheses in the “Ownership of voting rights” column represent percentage of voting rights held indirectly by the Company.
3. These companies fall under the category of specified subsidiaries.
Of the companies included in “And 93 other companies,” the companies that fall under the category of specified subsidiaries are as follows.
Shin H.I.S. Co., Ltd., No. 1 Travel Shibuya Co., Ltd., Travel Marche Co., Ltd., O.T.B. Co., Ltd., H.I.S. Okinawa Co., Ltd., RED LABEL VACATIONS INC., TRAVELBRANDS USA HOLDINGS, INC., SKYLINK VOYAGES INC., JONVIEW CANADA INC., Jonview Inc., H.I.S. SAIPAN, INC., H.I.S. BRASIL TURISMO LTDA., H.I.S. GIRAS INTERNACIONALES MEXICO, S.A. DE C.V., H.I.S. MANAGEMENT SERVICES SDN. BHD., H.I.S. TRAVEL (MALAYSIA) SDN BHD., H.I.S. (MACAU) TRAVEL COMPANY LIMITED, H.I.S (Cambodia) Travel Co., Ltd, H.I.S. TRAVEL (INDIA) PRIVATE LIMITED, H.I.S SONGHAN VIETNAM TOURIST COMPANY LTD.,H.I.S. (PHILIPPINES) TRAVEL CORP., H.I.S. GLOBAL BUSINESS, INC.,H.I.S. (FIJI) Pte Limited, H.I.S. NEW ZEALAND LIMITED, VIAJES H.I.S. MADRID, S.A., H.I.S. Travel Switzerland AG, H.I.S. International Tours .Ru, H.I.S POLAND Sp.z o.o.,H.I.S TRAVEL EGYPT, H.I.S KENYA LIMITED, HIDE INTERNATIONAL SERVICE MAROC, H.I.S. MANAGEMENT CONSULTING DMCC, Miki Tourist Co., Ltd., Miki Travel Limited, Miki Travel (Hong Kong) Limited, Miki Travel Consultancy (Shanghai) Limited, Miki Travel SDN. BHD, Miki Travel Agency E.U.R.L., Miki Travel Agency Italia S.R.L., Miki Solutions Limited, Miki Shared Service Centre SDN. BHD, MIKI TRAVEL (TAIWAN) LIMITED, MK Support Service B.V., Miki Travel Online Limited, VOX JAPAN Co., Ltd., SAS CEETIZ, Vison Hotel Management Co., Ltd., HHH.KOREA. INC., DORAK HIS OTELCILIK VE TIC.A.S., HHH CENTRALASIA FE LLC, Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Kyushu Sanko Landmark Co., Ltd., Kumamoto Ferry Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Auto Service Co., Ltd., Kyushu Sanko Retail Co., Ltd., KASSE JAPAN Co., Ltd., Kyushu BM Service Co., Ltd., Kyushu Sanko Planning Co., Ltd., Kyushu Sanko Card Co., Ltd., Cross E Holdings Co., Ltd., Huis Ten Bosch Technical Center Co., Ltd., Nishinihon Engineering Co., Ltd., hapi-robo st, Inc., H.I.S. Mobile Co., Ltd.
4. KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. files an Annual Securities Report (Yukashoken Hokokusho).
5. Liabilities of H.I.S. Hotel Holdings Co., Ltd. exceed its assets. The amount of excess liabilities as of September 30, 2023 was 3,129 million yen.

6. The Company holds a stake of 50% or less in Aquaignis Taki Hotel Asset Co., Ltd. However, Aquaignis Taki Hotel Asset Co., Ltd. is effectively under the Company's control and regarded as a subsidiary.
7. Of the companies included in "And 93 other companies," H.I.S. CANADA INC. and specified subsidiary JONVIEW CANADA INC. merged with specified subsidiary RED LABEL VACATIONS INC. on August 1, 2023, and ceased to exist as separate entities as a result of the merger. Further, specified subsidiary H.I.S. SAIPAN, INC. completed liquidation proceedings on October 18, 2023.

(2) Equity-method affiliates

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

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

5. Employees

(1) Consolidated companies

As of October 31, 2023

Segment	Number of employees	
Travel business	7,620	[850]
Theme Park business	85	[171]
Hotel business	521	[236]
Kyushu Sanko Group	1,396	[297]
Reportable segments total	9,622	[1,554]
Other	211	[117]
Corporate-wide (shared)	298	[14]
Total	10,131	[1,685]

(Notes) 1. The number of employees represents full-time employees only. An additional figure for the average number of temporary staff employed during the fiscal year is provided in square brackets.
2. The employees in "Corporate-wide (shared)" are those belonging to administrative departments and thus do not fall under any business segment.

(2) The filing company

As of October 31, 2023

Number of employees		Average age	Average length of service	Average annual salary (yen)
3,984	[532]	37.8 years old	13.3 years	4,430,394

pp	Number of employees	
Travel business	3,661	[446]
Reportable segments total	3,661	[446]
Other	25	[72]
Corporate-wide (shared)	298	[14]
Total	3,984	[532]

(Notes) 1. The number of employees represents full-time employees only. An additional figure for the average number of temporary staff employed during the fiscal year is provided in square brackets.
2. Average annual salary includes bonuses and extra wages.
3. The employees in "Corporate-wide (shared)" are those belonging to administrative departments and thus do not fall under any business segment.

(3) Labor unions

There are no applicable matters to report.

(4) Ratio of female employees in management positions, ratio of male employees taking childcare leave, and wage differences between male and female employees

1) The filing company

Year ended October 31, 2023				
Ratio of female employees in management positions (%) (Note) 1	Ratio of male employees taking childcare leave (%) (Note) 2	Wage differences between male and female employees (%) (Notes) 1, 3, 4		
		All employees	Of which, regular employees	Of which, non-regular employees
14.0	65.6	71.2	72.2	63.8

(Notes) 1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).
2. Calculated as the "ratio of childcare leave, etc. taken" in Item 1 of Article 71-4 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991) pursuant to the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

3. The wage differences between male and female employees represent the ratio of the average annual wage for women to that for men, with the men's average annual wage set to 100.
4. The HIS Group applies the same standards for wages based on job responsibilities, capabilities, and other qualifications, regardless of gender. The wage differences between regular male and female employees can be attributed to a slightly higher ratio of male employees working in management positions, or serving longer in their respective positions, while a higher ratio of female employees work shorter hours. The wage differences between non-regular male and female employees stem from differences in employment types. A higher ratio of female employees work part-time, while a higher ratio of male employees are re-employed after retirement, with their compensation being determined based on pre-retirement responsibilities, qualifications, and other considerations, resulting in differences in wages.

2) Consolidated subsidiaries

Year ended October 31, 2023					
Company name	Ratio of female employees in management positions (%) (Note) 1	Ratio of male employees taking childcare leave (%) (Note) 2	Wage differences between male and female employees (%) (Notes) 1, 3, 4, 5, 6		
			All employees	Of which, regular employees	Of which, non-regular employees
H.I.S. Hotel Holdings Co., Ltd.	12.0	50.0	56.4	68.6	68.0
Kyushu Sanko Bus Co., Ltd.	18.2	33.3	54.1	73.2	65.1
Kyushu Sanko Tourism Co., Ltd.	25.6	100.0	81.8	76.7	104.3
Sanko Bus Co., Ltd.	38.9	-	79.5	87.5	61.5
Kyushu Sanko Retail Co., Ltd.	10.5	-	58.6	73.1	74.7
Kyushu Sanko Auto Service Co., Ltd.	6.3	0.0	73.4	69.6	95.7

(Notes) 1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).
2. Calculated as the "ratio of childcare leave, etc. taken" in Item 1 of Article 71-4 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991) pursuant to the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).
3. The wage differences between male and female employees represent the ratio of the average annual wage for women to that for men, with the men's average annual wage set to 100.
4. The figures for the five companies in the Kyushu Sanko Group (Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Retail Co., Ltd., and Kyushu Sanko Auto Service Co., Ltd.) are the fiscal year-end figures for the Kyushu Sanko Group as of September 30, 2023.
5. H.I.S. Hotel Holdings Co., Ltd. and the Kyushu Sanko Group apply the same standards for wages based on job responsibilities, capabilities, and other qualifications, regardless of gender. The wage differences between regular male and female employees can be attributed to a slightly higher ratio of male employees working in management positions, falling in higher age groups, or serving longer in their respective positions, while a higher ratio of female employees work shorter hours. The wage differences between non-regular male and female employees stem from differences in employment types. A higher ratio of female employees work part-time, while a higher ratio of male employees are re-employed after retirement, with their compensation being determined based on pre-retirement responsibilities, qualifications, and other considerations, resulting in differences in wages.
6. The wage differences among male and female employees at H.I.S. Hotel Holdings Co., Ltd., Kyushu Sanko Bus Co., Ltd., and Kyushu Sanko Retail Co., Ltd. are wider in the overall average because a higher ratio of male employees work as regular employees and a higher ratio of female employees as non-regular employees.

II. Business Overview

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

(1) Management policy

The HIS Group aims to achieve sustainable growth for the Group as a whole by operating a wide range of businesses centered on travel. To this end, it will continue to facilitate various encounters and connections, create rich and irreplaceable moments, and promote mutual understanding under the banner of the HIS Group Purpose—Unleash your feeling "KOKORO ODORU"—while striving to create a new business model that contributes to world peace.

(2) Medium- to long-term corporate management strategy and key performance indicators

As the world enters the post-COVID era, the HIS Group believes the recovery of its core Travel business will drive growth across the Group. With this in mind, it has formulated a three-year medium-term management plan starting from the fiscal year ending October 31, 2024. To complement its existing business domains, the Group will actively pursue challenges in areas other than travel, exploring new possibilities. It will revamp its current management organization centered on the Travel business, work to reinforce its earnings structure by pivoting toward and establishing a more robust business portfolio, and thereby strive to enhance its corporate value. As sustainable business growth will be an essential factor to achieve these goals, the Group will focus on net sales and operating profit growth in all its businesses, and aim for a shareholder's equity ratio of 20% or more and an ROE of 10% or more as respective near-term targets for financial stability and profitability.

(3) Issues to be addressed

In the consolidated fiscal year ended October 31, 2023, the impact of factors such as the situation in the Middle East, a slowdown in overseas economies, inflation, and fluctuations in financial and capital markets warranted caution. However, the management environment of the HIS Group benefited from various measures amid an improvement in the employment and income situations, and the Group looks for a continued gradual recovery.

Amid such an environment, the Group will have to address the following issues.

1) Increase financial soundness

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

2) Adapt to various changes

The HIS Group realizes that enhancing productivity and improving profitability in various business domains will be the challenge in the foreseeable future. It will promote digital transformation to achieve solutions, implement reforms that result in an efficient business structure, and aim to rebuild its business portfolio. At the same time, it will work to deepen its understanding of all stakeholders and promote sustainable initiatives under the corporate philosophy of the Group.

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

In its mainstay Travel business, the Group will concentrate on initiatives that help realize sustainable tourism, while keeping its sights set on regional resources such as regional culture, historical heritage sites, and the natural environment, ensuring that the traditional ways of living in each region are honored and that all stakeholders assume responsibility for their individual awareness and conduct.

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

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

2. Views and Initiatives related to Sustainability

The HIS Group operates its businesses globally under its Purpose—Unleash your feeling "KOKORO ODORU"—which encourages encounters with uncharted worlds, connections with people, enriched times, "Waku-waku" (excitement), elation, and thoughts on peace.

The Group believes two elements are required for people around the world to experience this "unleashing of feeling." The first is a society in which diversity is respected and people can live in peace, while transcending factors such as nationality, race, culture, and religion. The second is a healthy global environment that serves as a foundation not only for humans but for all living beings.

The Group aims to contribute to the development of a sustainable society by addressing social and environmental issues through its businesses with an awareness of coexistence, symbiosis, and mutual prosperity.

It analyzes various external environments as "growth opportunities" and "business risks," and has identified seven material issues that it should address as a corporate group. Among these, it considers "conservation of the global environment," "symbiosis with local communities," "active participation of diverse talent," and "strengthening of governance" as important sustainability issues in its management.

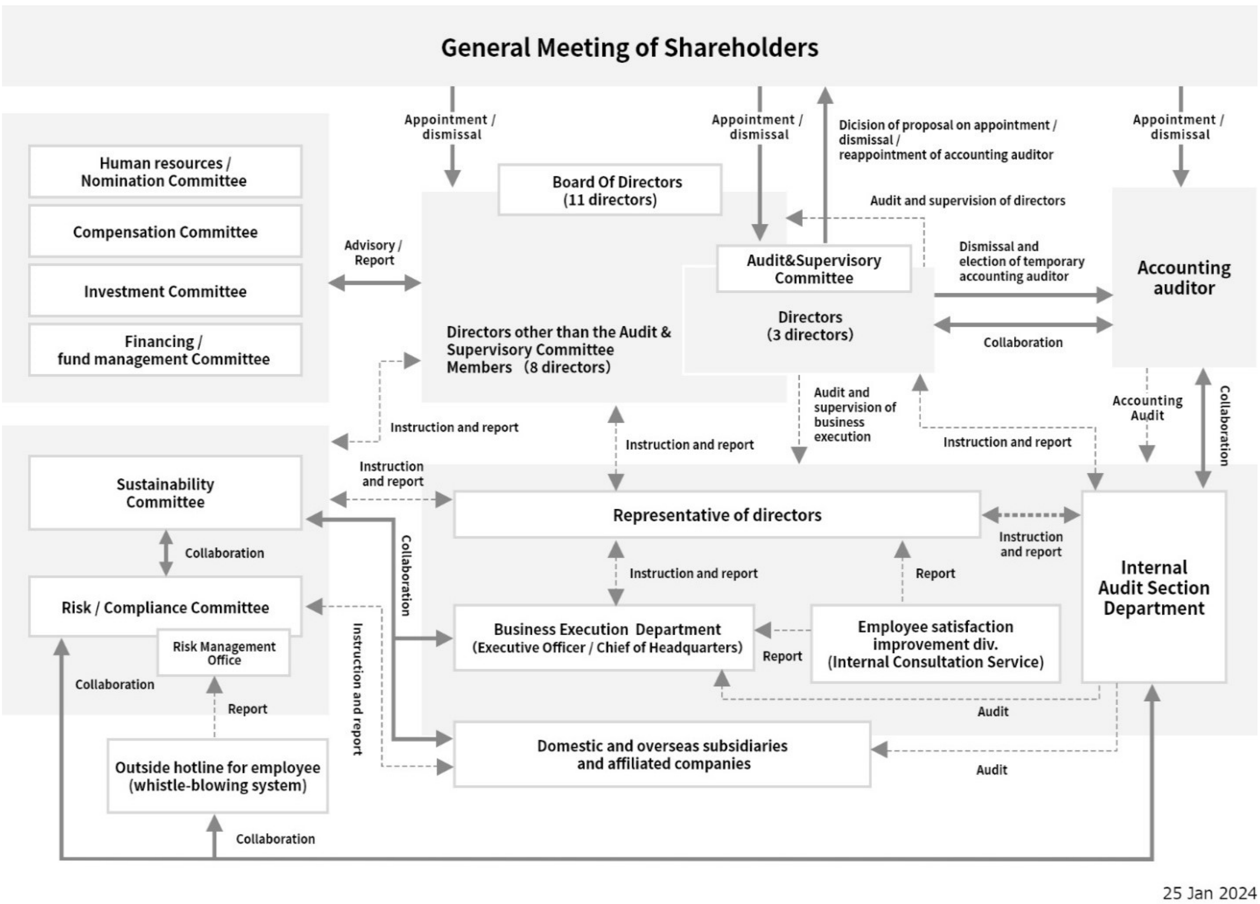
1. Governance

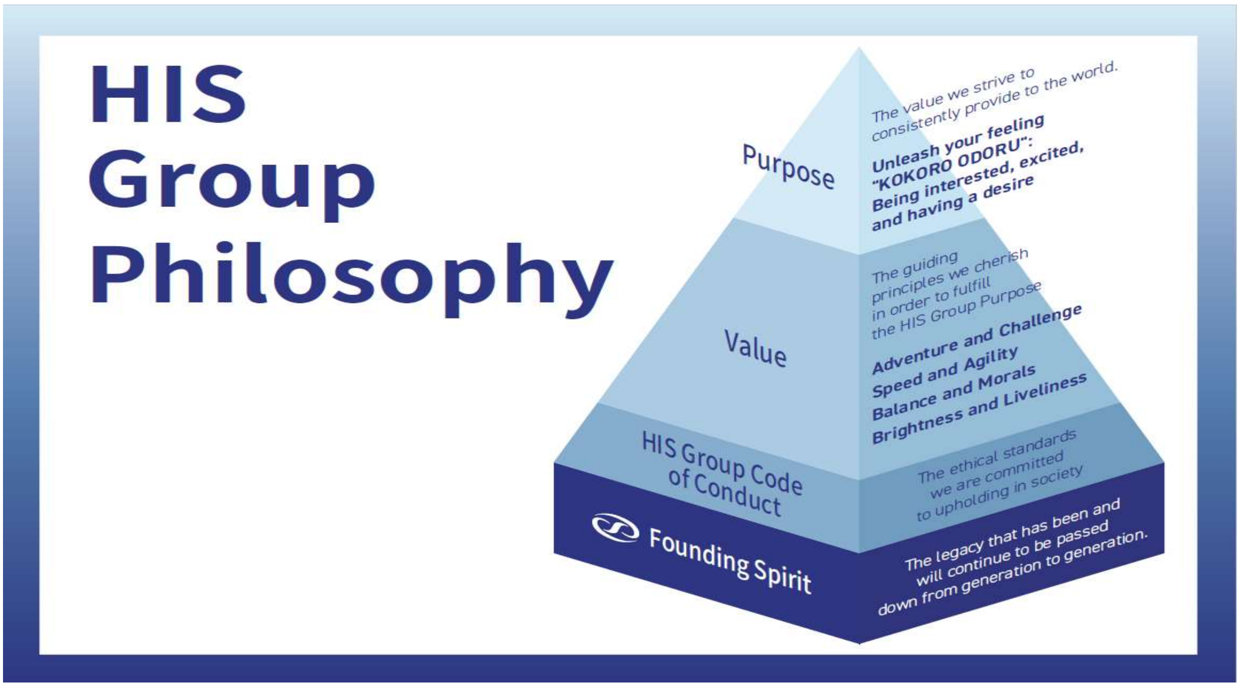
The HIS Group has formulated the HIS Group Philosophy, promotes related awareness, and aims to be a Group that continues to be trusted and chosen by its stakeholders.

Its Sustainability Committee, which is chaired by the president and representative director, takes the lead in discussing important policies and measures, monitoring progress toward goals, and promoting sustainability initiatives. This is done in collaboration with the Risk / Compliance Committee, business execution departments, and domestic and overseas subsidiaries. Important matters discussed in the Sustainability Committee are submitted to the Board of Directors for deliberation and approval.

Further, all employees strive to foster a corporate culture and environment that respects the rights and positions of stakeholders and upholds sound ethics in business activities in accordance with the HIS Group Code of Conduct.

Corporate Governance Structure





More information on the HIS Group Philosophy can be found on the following website.
https://www.his.co.jp/en/company/philosophy/

2. Strategy

(1) Climate change

The HIS Group has conducted a climate change scenario analysis in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and has compiled climate change risks, opportunities, associated impacts, and corresponding measures that are relevant to its businesses. The Group will reflect items with high risk importance and long-term implications in the strategy of its medium-term management plan, and promote focused responses.

Note:＜Term＞Short-term: to 2024, Mid-term: to 2026, Long-term: 2030

Type of risk	Risk and Opportunity Topics	Impact	Term	Measures
Physical risk	・Increase in the frequency of typhoons, heavy rains, heat waves, etc. and exacerbation of damage	Large	Short- to long-term	・Crisis management manual-based customer support ・Enhancement of Tabimae support service (cancellation support) ・Provision of safety and security leveraging global network (DX promotion) ・Disaster prevention manuals for owned facilities and vehicles; enforcement of disaster prevention drills ・Preparation of stockpiles and evacuation framework
	・Service provision suspension or delay associated with data center (DC) damage caused by natural disaster	Medium	Short- to mid-term	・Review of DC configuration ・Migration of servers to cloud ・Redundancy for key data
Transition risk	・Increase in business operating costs due to taxation rate hikes and restrictions on the operation of vehicles, etc. under the strengthening of regulations related to greenhouse gas (GHG) emissions	Small	Mid- to long-term	・Promotion of shift to FCVs, EVs, etc. for owned buses and vehicles ・Investment in and adoption of environmentally considerate means of transportation ・Assessment of suppliers' GHG emissions and study of sustainable procurement
	・Increase in business operating costs due to adoption of carbon pricing	Small	Long term	・Energy conservation and adoption of renewable energy ・Promotion of shift to FCVs, EVs, etc. for owned buses and vehicles ・Promotion of plastic product reduction and paperless operation
	・Cooling of consumer psychology due to service price increase associated with soaring fuel prices	Medium	Short- to long-term	・Promotion of microtourism ・Boosting of demand for travel ・Provision of new experiential value
	・Changes in customer behavior and preferences due to heightened concern over climate change	Large	Short- to long-term	・Promotion of plastic product reduction and paperless operation ・Provision of environmental protection experiential program ・Promotion of shift to FCVs, EVs, etc. for owned buses and vehicles ・Provision of carbon neutral products ・Provision of new experiential value ・Adoption of environmentally considerate means of transportation ・Active information disclosure
	・Decrease in services originating in environmental changes such as temperature rise and sea level rise, or originating in the enactment of associated new regulations, legislation, and ordinances	Medium	Mid- to long-term	・New product development, destination development ・Product development aimed at protection of the natural environment (in cooperation with tourism bureaus and local government bodies) ・Expansion of business other than the travel business
	・Decline in corporate value and decrease in investment targets and business partners if climate change initiatives are viewed as insufficient	Medium	Short- to long-term	・Active information disclosure ・Investment in renewable energy

01 Dec 2023

(2) Human capital

[Basic view on human capital management]

The HIS Group believes that human resources are the source of value creation, and strives to create an environment in which each employee can work with a sense of job fulfilment and excitement.

The Group was founded in 1980, and started its operations by challenging established practices in the travel business. At the time, the number of annual outbound Japanese travelers stood at approximately 3.9 million, one-fifth of the market size in 2019. In a market geared heavily toward high-priced group tours, the Group pioneered foreign independent tours (FITs) using low-cost airline tickets, and worked to explore new markets for individual and independent travel.

The Group's vision for 2030, which will mark the 50th anniversary of its founding, is "Change & Create—embracing the spirit of challenge, bringing the world together, and continuing to be a company that is chosen by its stakeholders." It begins with a reference to the "spirit of challenge," which was the starting point of the Group's operations.

The exploration of new challenges has been an essential part of our history, and the Group aims to transform itself and achieve sustainable growth by helping ensure its individual employees can take on exciting challenges.

[Contributions from diverse human resources]

The HIS Group has identified "contributions from diverse human resources" as one of its material issues. It aims to be a Group in which individual employees respect and support each other, challenge themselves to grow in unique ways, and turn diversity into a strength. To achieve these goals, it promotes diversity, equity, inclusion, and belonging (DEIB).

<Key initiatives for the Company>

〇Promotion of the participation and advancement of women in the workplace

The Group has a high ratio of female employees, and promotes the participation and advancement of women in the workplace as one of its important themes.

In 2021, the Company was recognized as a child-rearing support company ("Kurumin" certification) and as a company that promotes the participation and advancement of women in the workforce (Level 3 of the "Eruboshi" certification). In 2019, it established the D&I Promotion Office as a dedicated organization. In 2023, it further expanded the scope of the office, and reorganized it into the DEIB Promotion Office.

To increase the number of female employees participating in management, the Company has set targets to achieve a 20% ratio of women in managerial and executive positions by the fiscal year ending October 31, 2026, and 30% by the fiscal year ending October 31, 2030. Under the leadership of its president and representative director, it has launched a nationwide project and promoted various initiatives. It aspires to be a company that allows employees—regardless of gender—to balance work and childcare, with a target of achieving an 80% rate of male employees taking childcare leave by the fiscal year ending October 31, 2026, and 100% by the fiscal year ending October 31, 2030.

〇Contributions from human resources at overseas locations

The HIS Group's global business operations are supported by the human resources working at its overseas locations, and their contributions are one of the important themes for the Group.

The Group has set a target of raising its ratio of non-Japanese managers at overseas affiliated companies to 65% by the fiscal year ending October 31, 2026, and it will continue to develop and select talent to achieve this goal.

[Internal environment enhancement policy]

The HIS Group has added a section on "Secure a comfortable and safe workplace environment" to its HIS Group Code of Conduct.

The Group will push ahead with the creation of a workplace environment that ensures both physical and psychological safety so that employees can continue to take on new challenges with vitality and enthusiasm. In this way, it will strive to enhance work engagement.

<Key initiatives for the Company>

〇Promotion of health management

To maintain and enhance the health of its employees, the Company will use various indicators, aim to improve its work environment, and promote health management in collaboration with health insurance associations and industrial physicians.

・Certification as a Health & Productivity Management Outstanding Organization
・Encouraging employees to take paid leave
・Health examinations: Improvement of participation rates in secondary health check-ups
・Improvement of participation rates in stress check-ups

〇Promotion of diverse work styles

In May 2018, the Company lifted restrictions on side jobs and introduced telecommuting and re-employment systems in an effort to accommodate diverse lifestyles. Going forward, it will aim to optimize work styles to suit various types of work, and consider a further expansion of various systems such as part-time work, reduced workdays, remote work, and flextime.

[Human resources development policy]

In accordance with its Vision 2030, “Change & Create—embracing the spirit of challenge, bringing the world together, and continuing to be a company that is chosen by its stakeholders,” the Company will work to nurture individuals who have big dreams and goals, who think freely without being constrained by conventional ideas, who are not afraid of failure, and who are willing to take on new challenges.

<Key initiatives for the Company>

○Development of individuals who can lead in periods of transformation

Recognizing the importance of human resources who can lead the next generation, the Company will systematically train leaders to support transformation and sustainable growth.

・Development of next-generation leaders

・Formulation and promotion of succession plans to support sustainable business growth

・Provision of training to enhance IT skills and digital literacy and keep pace with technological innovation

○Promotion of autonomous career development, and creation of diverse growth opportunities

The Company will establish a system that allows individuals to develop their own career autonomously.

・Annual implementation of a self-reporting system for career planning

・Provision of career design training in which employees examine their strengths and ideal future paths

・Promotion (expansion) of diverse training programs in tandem with business growth

○Promotion of alignment with, and an awareness of, the HIS Group Philosophy

The Company will create opportunities for individuals to deepen their understanding of—and alignment with—the HIS Group Philosophy, which encompasses the Group’s Purpose, Value, Code of Conduct, and founding spirit, and to discover aspects that overlap with their personal values and aspirations.

3. Risk Management

Within the HIS Group, the Sustainability Committee and the Risk / Compliance Committee collaborate to identify, evaluate, and manage climate-related risks. The Risk Management Office collects information on business risks for the Group as a whole, including risks related to climate change, and shares its findings with the Risk / Compliance Committee. The committee develops a management system for identifying, analyzing, evaluating, and responding to potential risks, and conducts activities to prevent risks from materializing. The Sustainability Committee engages in activities such as ascertaining risks associated with climate change, analyzing them in accordance with the framework of the TCFD recommendations, discussing important policies and measures related to the environment, and monitoring progress toward targets. It provides reports to the Board of Directors as deemed necessary.

4. Indicators and Targets

(1) Climate change

The HIS Group takes initiatives to address climate change, and “conservation of the global environment” is one of its material issues. In the fiscal year ended October 31, 2023, the Group identified the Scope 1 and Scope 2 CO_2 emissions of its major domestic group companies, and implemented initiatives to examine and reduce CO_2 targets. It has also explored ways to gauge Scope 3 emissions, and promoted initiatives to reduce them.

CO_2 emissions (Scope 1 + Scope 2) *1

(Tonnes)

	Results for year ended October 31, 2023
H.I.S. Co., Ltd.	3,292.9
H.I.S. Hotel Holdings Co., Ltd.	4,205.8
12 Kyushu Sanko Group companies *2	28,370.8

*1. The Scope 1 emissions for the 12 companies in the Kyushu Sanko Group were calculated in accordance with the aggregation method of the Energy Conservation Act Periodic Report. The other scope emissions for the 12 companies in the Kyushu Sanko Group are estimates obtained from the CO_2 emissions simplified calculation service provided by MS&AD InterRisk Research & Consulting, Inc.

*2. The 12 companies in the Kyushu Sanko Group are KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Kyushu Sanko Landmark Co., Ltd., Kyushu Sanko Retail Co., Ltd., Sanko Bus Co., Ltd., Kumamoto Ferry Co., Ltd., Kyushu Sanko Auto Service Co., Ltd., KASSE JAPAN Co., Ltd., Kyushu Sanko Planning Co., Ltd., Kyushu BM Service Co., Ltd., and Kyushu Sanko Card Co., Ltd. The figures provided correspond to these companies.

The HIS Group is conducting initiatives to achieve a reduction of 70% in plastic usage (compared to the fiscal year ended October 31, 2019) and 50% in copy paper usage (compared to the fiscal year ended October 31, 2019) by the fiscal year ending October 31, 2026.

Results and targets

(Tonnes)

	Results for year ended October 31, 2019	Results for year ended October 31, 2023*	Targets for year ending October 31, 2026
Plastic usage	25.4	5.5	6.0
Copy paper usage	325.8	66.7	65.0

* The figures for the fiscal year ended October 31, 2023 are reference values as business activities were affected by the COVID-19 pandemic.

For information on specific initiatives, please visit the following website.
https://www.his.co.jp/en/sustainability/

(2) Human capital

In accordance with the information provided earlier in "2. Strategy," the HIS Group will implement human capital management and promote initiatives to achieve the following goals.

Ratio of female employees in management positions

	Results for year ended October 31, 2023	Targets for year ending October 31, 2026	Targets for year ending October 31, 2030
H.I.S. Co., Ltd.	14.0%	20.0%	30.0%
H.I.S. Hotel Holdings Co., Ltd.	12.0%	20.0%	30.0%
Five Kyushu Sanko Group companies*	21.4%	25.0%	30.0%

* The figures provided for the five Kyushu Sanko Group companies apply to Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Retail Co., Ltd., and Kyushu Sanko Auto Service Co., Ltd.

Ratio of female officers

	Results for year ended October 31, 2023	Targets for year ending October 31, 2026	Targets for year ending October 31, 2030
H.I.S. Co., Ltd.	15.4%	20.0%	30.0%
H.I.S. Hotel Holdings Co., Ltd.	—	20.0%	30.0%
Five Kyushu Sanko Group companies*	3.7%	7.4%	11.1%

* The figures provided for the five Kyushu Sanko Group companies apply to Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Retail Co., Ltd., and Kyushu Sanko Auto Service Co., Ltd.

Ratio of male employees taking childcare leave

	Results for year ended October 31, 2023	Targets for year ending October 31, 2026	Targets for year ending October 31, 2030
H.I.S. Co., Ltd.	65.6%	80.0%	100.0%
H.I.S. Hotel Holdings Co., Ltd.	50.0%	50.0%	70.0%
Five Kyushu Sanko Group companies*	42.8%	57.1%	71.4%

* The figures provided for the five Kyushu Sanko Group companies apply to Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Retail Co., Ltd., and Kyushu Sanko Auto Service Co., Ltd.

Other indicators (initiatives undertaken by the Company)

	Results for year ended October 31, 2023	Targets for year ending October 31, 2026
Job satisfaction index*	56.1%	80.0%
Average paid leave utilization rate	68.4%	75.0%
Health examination: secondary health check-up participation rate	45.0%	70.0%
Stress check-up participation rate	60.5%	70.0%

* Percentage of employees who responded "The company provides a fulfilling workplace" in an employee satisfaction survey.

Indicators related to overseas affiliated companies

	Results for year ended October 31, 2023	Targets for year ending October 31, 2026
Ratio of non-Japanese managers	44.2%	65.0%

3. Business and Other Risks

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

Further, all matters relating to the future in the sections below are based on the views of the HIS Group as of October 31, 2023.

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

The HIS Group has continued to incur high losses attributable to owners of parent since the consolidated fiscal year ended October 31, 2022. Consequently, as of October 31, 2023, there are deemed to be events or circumstances that may give rise to significant doubts regarding the Group's ability to continue as a going concern pursuant to Audit and Assurance Practice Committee Statement No. 74 "Disclosure of the Going Concern Assumption."

To address this, the HIS Group is continuously reducing fixed costs and selling securities and properties. In addition, the Group has requested its counterparty financial institutions to maintain its existing loan agreements (refinancing).

Based on a cash management plan that reflects reasonable assumptions, the HIS Group has determined that it can retain sufficient capital through October 31, 2024, and therefore deems that there should be no significant uncertainty about its ability to continue as a going concern.

2) Risks related to travel demand and industry trends

The Travel business accounts for 80.2% of Group net sales, and 64.3% of net sales are concentrated in Japan. Consequently, changes in the environment surrounding the Travel business in Japan could affect the Group's financial position and operating results. Further, although the Group works to ensure sustainable competitiveness, its businesses face intense competition from other companies, prompted by such factors as business model changes of partner companies and market entries by companies from other industries. Future developments in the competitive landscape could therefore affect the Group's financial position and operating results.

3) Impact of natural and man-made disasters

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

4) Risks related to information leaks and system management

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

5) Risks related to provision of products and services

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

6) Exchange rate and crude oil price fluctuations

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

7) Fluctuations in the valuation of owned assets including securities

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

8) Impairment of non-current assets

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

9) Compliance

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

4. Analyses of Financial Position, Business Results, and Cash Flows

The following is an overview, management perspective, analysis, and examination of the financial position, business results, and cash flows of the HIS Group in the consolidated fiscal year ended October 31, 2023.

(1) Business results

In the consolidated fiscal year ended October 31, 2023, the impact of factors such as the situation in the Middle East, a slowdown in overseas economies, inflation, and fluctuations in financial and capital markets warranted caution. However, the management environment of the HIS Group benefited from various measures amid an improvement in the employment and income situations, and the Group looks for a continued gradual recovery.

Against this backdrop, the travel industry saw a recovery in demand for international travel, including inbound tourism to Japan and outbound travel from Japan, as border control measures related to the COVID-19 pandemic were lifted and COVID-19 was reclassified as a Level 5 disease under the Infectious Diseases Act. At the same time, domestic travel exhibited a strong recovery, aided by tourism support measures such as the National Travel Support initiative.

In an effort to improve productivity and profitability and to expand demand for outbound travel from Japan, which is the core business, the Group strengthened initiatives ahead of the busy summer season, such as optimizing personnel allocations and enhancing advertising campaigns to maximize sales.

Further, it looks to realize sustainable growth for the Group as a whole by developing a wide range of businesses centered on travel. Under the banner of the HIS Group Purpose ("Unleash your feeling 'KOKORO ODORU'"), the Group will bring the world closer together and provide new value by continuing to facilitate various encounters and connections, create rich and irreplaceable moments, and promote mutual understanding.

In the consolidated fiscal year ended October 31, 2023, business performance was as follows.

(Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Net sales	142,794	251,866
Gross profit	28,257	82,777
Operating profit (loss)	(47,934)	1,397
Profit (loss) before income taxes	(8,222)	(1,288)
Profit (loss) attributable to owners of parent	(9,547)	(2,618)

Net sales increased 109,071 million yen or 76.4% year on year to 251,866 million yen. The sharp growth was mainly due to a recovery in the summer (peak demand) period in the mainstay outbound travel business in Japan, which had been dealt a heavy blow by the COVID-19 pandemic in the previous fiscal year, as well as to strong performance in the travel business overseas, particularly at subsidiaries in Europe and the United States.

Selling, general and administrative expenses increased 5,188 million yen or 6.8% year on year to 81,380 million yen, as cost-reduction measures to drive a recovery in earnings from the downturn caused by the COVID-19 pandemic, were offset by personnel expenses associated with the return of seconded employees and advertising expenses to revitalize the market ahead of a resumption of the core overseas travel business.

On the profit side, gross profit rose sharply in part due to an improvement in travel-related businesses, fueled by an upturn in the flow of people after a COVID-induced slump. As a result, the HIS Group reported operating profit of 1,397 million yen (an improvement of 49,331 million yen from the previous fiscal year), marking the first return to the black in four years. The Group recorded extraordinary income of 1,564 million yen to mainly reflect employment adjustment subsidies received due to the application of special measures in connection with the COVID-19 pandemic, and subsidies received from national and local governments, but this was offset by an extraordinary loss of 4,298 million yen to account for impairment losses on non-current assets and losses on the sale of other investments accompanying the sale of artworks owned by the Company. As a result, the Group reported a loss before income taxes of 1,288 million yen (versus loss before income taxes of 8,222 million yen in the previous fiscal year). Income taxes declined 2,214 million yen year on year, and the Group reported a loss attributable to owners of parent of 2,618 million yen (versus loss attributable to owners of parent of 9,547 million yen in the previous fiscal year), reflecting the recognition of 711 million yen in profit attributable to non-controlling interests.

The earnings by segment in the consolidated fiscal year ended October 31, 2023 are shown below.

Further, at the start of the fiscal year under review, the Group reclassified its original five segments (Travel business, Theme Park business, Hotel business, Kyushu Sanko Group, and Energy business) into four segments (Travel business, Theme Park business, Hotel business, and Kyushu Sanko Group). As a result, for comparison purposes, it has restated the figures for the previous fiscal year to reflect the new segment structure. For details, please refer to “Segment information, etc.” in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information.”

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

(Travel business) (Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Net sales	67,693	202,008
Operating profit (loss)	(28,629)	803

In the consolidated fiscal year ended October 31, 2023, the overseas travel market was robust, particularly in Europe and the United States. In Japan, earnings recovered to the 2019 levels over the full year on the back of revitalized domestic travel driven by the government’s National Travel Support initiative to stimulate demand, launched in October 2022. In the overseas travel and inbound travel markets, the year brought a notable recovery in travel between Japan and overseas destinations as COVID-19 was reclassified as Level 5 disease in May 2023, border control measures (including immigration restrictions) related to COVID-19 were lifted in various countries, and international flights resumed. The inbound travel market, in particular, progressively recovered to pre-pandemic levels as the weaker yen provided a tailwind. In the fiscal year under review, the number of outbound travelers from Japan increased 310.5% year on year to 8.46 million (decline of 57.8% from 2019), while the number of inbound travelers to Japan rose 1,322.7% year on year to 22.19 million (decline of 30.6% from 2019). These figures represented a notable recovery compared to pre-pandemic peak levels (Source: Japan National Tourism Organization [JNTO]).

In the overseas travel business, the HIS Group actively organized events to stimulate overseas travel demand, such as the Hatsuyume Fair 2023 (HIS’s largest sale) and the HIS Overseas Travel Appreciation Festival. It formed business alliances with organizations such as the Korea Tourism Organization, the California Travel & Tourism Commission, the Taiwan Tourism Administration, and the Singapore Tourism Board to attract more tourists. In addition, it pursued cooperative systems to promote tourism and improve customer referrals, including by developing travel products with a view to creating sustainable tourism. In May, when COVID-19 was reclassified as a Level 5 disease and border controls related to overseas travel were lifted, the Group launched the SUPER SUMMER SALE! campaign to boost leisure demand in the summer. It aimed to acquire more customers through measures such as fully covering passport application fees and making cancellation fees free up to 15 days prior to departure (normally 30 or 40 days prior to departure). As a result, the business performed well during the summer holidays, the first major travel demand period after the pandemic subsided, and recovered to a scale that helped lift performance in the Travel business as a whole.

In the domestic travel business, the Group worked to maximize profits by strengthening sales of products eligible for the National Travel Support initiative, implementing special proprietary campaigns (such as the Gururi Travel Campaign that makes round-trip travel plans more affordable, and the waiving of fees for cancellations attributable to the sudden illness of a child), and attracting more customers for air travel-based package tours to the Okinawa, Hokkaido, and Kyushu regions. Meanwhile, the Group promoted the digitalization of distribution channels and increased the handling of dynamic packages that combine air tickets and hotel accommodation, and such efforts further supported a recovery to pre-pandemic levels.

In the inbound travel business, the Group aimed to promote inbound tourism and attract more tourists through initiatives such as concluding cooperation agreements with Kagoshima Prefecture and Kumamoto City to enhance its regional brand power, and encouraging growth in tourism spending through domestic and international promotions. Net sales were driven by incentive group travel from HIS overseas subsidiaries and from travel agencies in Europe and the United States. On the HIS Discover Japan website, which features a range of travel activities offered all over Japan, the Group received bookings from individual travelers from 53 countries, and the HIS-organized one-day bus tours performed well. However, the business did not achieve a full-scale recovery as inbound travelers from China, the principal target customers before the COVID-19 pandemic, have yet to return to previous levels.

In the corporate business, a recovery in travel demand led to substantial improvements in employee, educational, sports, and business travel. The Group focused on strengthening relationships with corporations, and utilized its expertise in managing meetings, incentives, conferences, and exhibitions (MICE) to promote its solutions business, providing support for business events such as anniversary events, award ceremonies, and employee induction ceremonies. Further, in its operations targeted at government and municipalities, the Group aimed to strengthen its business process outsourcing (BPO) services. For example, it was selected for the Tourism Relaunch Project led by the Japan Tourism Agency, and was commissioned to strengthen regional branding by leveraging its overseas branch network.

In the overseas travel business, the subsidiary in Canada continued to drive earnings, aided by a full-scale recovery in travel demand. In addition, the subsidiaries in Turkey and Southeast Asian countries such as Indonesia, Thailand, Vietnam, Malaysia, and the Philippines strengthened their B2B markets with a focus on business travel, contributing to a recovery in the outbound travel business. In inbound travel operations at local subsidiaries, there were signs of recovery as package tours from Japan gradually resumed. Meanwhile, in North America, the Canadian College Group worked to expand its business scope by acquiring Stenberg College International, a school specializing in vocational training programs for comprehensive medical and welfare services. The Group also expanded its business areas to local markets, promoting Japanese culture, and particularly Japanese cuisine, in various areas. For example, the Thai subsidiary, which operates the Hannari Café de Kyoto in collaboration with Kyoto Prefecture, opened the Japanese-style Izakaya restaurant Mantenno in Bangkok, while the American subsidiary opened the Japanese kaiseki restaurant UKA at its existing Japan House in Los Angeles.

Further, the number of Group sales offices stood at 134 in Japan and 162 overseas (113 cities across 58 countries) as of October 31, 2023.

As a result, in the consolidated fiscal year ended October 31, 2023, net sales rose 198.4% year on year to 202,008 million yen, with an operating profit of 803 million yen (versus operating loss of 28,629 million yen in the previous fiscal year).

(Theme Park business) (Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Net sales	21,225	3,356
Operating profit (loss)	183	160
EBITDA	2,240	483

At Laguna Ten Bosch, the number of visitors at Lagunasia expanded 7.4% year on year helped by the effects of the National Travel Support initiative, tie-up events with the anime TV series *Demon Slayer: Kimetsu no Yaiba*, and the early opening of the summer pool to attract more visitors. The Festival Market shopping mall launched the RE:BORN PROJECT, opening or renewing six stores with the aim of bringing in more customers by expanding its commercial reach.

Further, as of September 30, 2022, the HIS Group had completed the transfer of all shares of Huis Ten Bosch, which had hitherto operated under the Theme Park business.

As a result, in the consolidated fiscal year ended October 31, 2023, net sales fell 84.2% year on year to 3,356 million yen, operating profit came to 160 million yen (down 12.3% year on year), and EBITDA was 483 million yen (down 78.4% year on year).

(Hotel business) (Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Net sales	9,207	17,937
Operating profit (loss)	(4,122)	577
EBITDA	(192)	4,700

The Hotel business benefited from a strong market for overnight accommodations thanks to the effects of the National Travel Support initiative and the reclassification of COVID-19 as a Level 5 disease, which paved the way for an upturn in the flow of people, a recovery in travel and business accompanying the reopening of domestic travel, and a sharp rebound in inbound travel demand. Against this backdrop, the HIS Group launched new facilities in Kagoshima and Nagoya, and conducted renovations at Resort Hotel Kume Island (Okinawa). In addition, it concentrated on sales promotions, including by introducing unique concept rooms and implementing various sales plans at each facility. At overseas hotels, earnings rose at each facility as the recovery in travel demand in all countries gathered further pace in both resort and urban areas.

As a result, in the consolidated fiscal year ended October 31, 2023, net sales rose 94.8% year on year to 17,937 million yen, operating profit totaled 577 million yen (versus operating loss of 4,122 million yen in the previous fiscal year), and EBITDA was 4,700 million yen (versus loss of 192 million yen in the previous fiscal year).

(Kyushu Sanko Group) (Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Net sales	17,960	21,676
Operating profit (loss)	(1,554)	58
EBITDA	309	1,791

Despite the impact of factors such as soaring energy prices and rising food costs, the Kyushu Sanko Group enjoyed tailwinds from a recovery in the flow of people in Japan following a COVID-induced slump, and from an upturn in operations driven by an increase in inbound travelers. In the mainstay bus business, in particular, the number of people transported by regular buses was down 4.8% from 2019, while the number of chartered buses in operation recovered 6.1% from 2019. Further, to promote the use and improve the convenience of public transportation, the Kyushu Sanko Group held a "Kumamoto Prefecture Bus and Train Kids Free Day (Adults: 100 yen)" event in collaboration with local bus operators in Kumamoto Prefecture with the aim of contributing to environmental measures such as alleviating traffic congestion and reducing CO_2 emissions. At the SAKURA MACHI Kumamoto commercial complex, the number of visitors recovered steadily through various events, such as the Kumamoto Castle Restoration Support Project, a collaboration project to restore Kumamoto Castle (the main attraction of Kumamoto tourism) that featured an anime idol group with ties to Kumamoto. The Kyushu Sanko Group also partnered with Kumamoto Castle Hall, located within the same complex, and promoted store usage, thereby contributing to an improvement in earnings through a recovery in sales. In its travel operations, the Kyushu Sanko Group organized two charter flights to Taiwan (in March and in May). In addition, it launched the group e-commerce site KUMATOKU as a new business initiative, and started selling local specialties representing Kumamoto Prefecture and other Group products. These products were shipped under a Direct Transport of Amakusa Specialties service, using the Group's own busses for mixed transport of cargo and passengers.

As a result, in the consolidated fiscal year ended October 31, 2023, net sales rose 20.7% year on year to 21,676 million yen, operating profit came to 58 million yen (versus operating loss of 1,554 million yen in the previous fiscal year), and EBITDA was 1,791 million yen (up 478.6% year on year).

(2) Cash flows

The amount of cash and cash equivalents (hereinafter, "funds") at the end of the consolidated fiscal year ended October 31, 2023 was 110,836 million yen, a decrease of 26,102 million yen compared to the end of the previous fiscal year. Operating activities increased funds by 31,075 million yen, investing activities decreased funds by 46,393 million yen, and financing activities decreased funds by 11,785 million yen.

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

(Cash flows from operating activities)

Funds from operating activities increased 31,075 million yen in the fiscal year under review. This mainly reflected a decrease in funds from the booking of a loss before income taxes (1,288 million yen) and an increase in trade receivables and contract assets (13,086 million yen), offset by an increase in funds from depreciation (10,500 million yen), which is a non-cash item, an increase in trade payables (3,735 million yen), an increase in travel advances received (15,078 million yen), and an increase in other liabilities including deposits received (14,741 million yen).

In the previous fiscal year, funds from operating activities decreased 14,915 million yen. This mainly reflected a decrease in funds from the booking of a loss before income taxes (8,222 million yen), a gain on the sale of shares of subsidiaries and associates (32,437 million yen), and an increase in other assets including accounts receivable - other (8,345 million yen), partially offset by an increase in funds from depreciation (12,487 million yen), which is a non-cash item, and an increase in other liabilities including deposits received (22,757 million yen).

As a result, in the fiscal year under review, cash flows from operating activities increased 45,990 million yen compared to the previous fiscal year.

(Cash flows from investing activities)

Funds from investing activities decreased 46,393 million yen in the fiscal year under review. This mainly reflected an increase in funds from proceeds from the withdrawal of time deposits (12,711 million yen), offset by a decrease in funds from payments into time deposits (50,556 million yen), purchases of property, plant and equipment and intangible assets (6,487 million yen), and purchases of shares of subsidiaries resulting in a change in the scope of consolidation (1,772 million yen).

In the previous fiscal year, funds from investing activities increased 53,520 million yen. This mainly reflected an increase in funds from proceeds from the sale of shares of subsidiaries resulting in a change in the scope of consolidation (39,847 million yen) and proceeds from the withdrawal of time deposits (19,442 million yen), partially offset by a decrease in funds from payments into time deposits (12,001 million yen).

As a result, in the fiscal year under review, cash flows from investing activities decreased 99,914 million yen compared to the previous fiscal year.

(Cash flows from financing activities)

Funds from financing activities decreased 11,785 million yen in the fiscal year under review. This mainly reflected an increase in funds from proceeds from long- and short-term borrowings (162,277 million yen), offset by a decrease in funds from repayments of long- and short-term borrowings (172,476 million yen).

In the previous fiscal year, funds from financing activities increased 5,458 million yen. This mainly reflected an increase in funds from proceeds from long- and short-term borrowings (115,517 million yen) and proceeds from the issuance of shares (7,500 million yen), partially offset by a decrease in funds from repayments of long- and short-term borrowings (115,492 million yen).

As result, in the fiscal year under review, cash flows from financing activities decreased 17,243 million yen compared to the previous fiscal year.

(3) Production, orders received, and sales

1) Purchasing

Purchasing by segment during the fiscal year under review is as follows.

Segment	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023) (millions of yen)	Versus previous fiscal year (%)
Travel business	136,006	308.0
Theme Park business	1,942	14.5
Hotel business	6,449	152.7
Kyushu Sanko Group	19,935	111.0
Reportable segment total	164,333	206.1
Other	4,756	13.7
Total	169,089	147.6

(Notes) 1. Intersegment transactions have been eliminated.

2. The businesses of the HIS Group are not operated based on production; therefore, information on purchasing is provided instead of production data.

3. As stated in "Segment information, etc." in the "Notes to Consolidated Financial Statements" in "(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc." under "V. Financial Information," the Company has reclassified its reportable segments in the consolidated fiscal year ended October 31, 2023. Accordingly, the percentages shown under "Versus previous fiscal year (%)" have been calculated based on the revised reportable segments.

2) Orders received

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

3) Sales

Sales by segment during the fiscal year under review are as follows.

Segment	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023) (millions of yen)	Versus previous fiscal year (%)
Travel business	200,894	298.4
Theme Park business	3,343	16.2
Hotel business	17,562	196.6
Kyushu Sanko Group	21,664	120.7
Reportable segment total	243,464	212.0
Other	8,402	30.1
Total	251,866	176.4

(Notes) 1. Intersegment transactions have been eliminated.

2. The HIS Group calculates total transaction value (selling price) as net sales.

3. As stated in "Segment information, etc." in the "Notes to Consolidated Financial Statements" in "(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc." under "V. Financial Information," the Company has reclassified its reportable segments in the consolidated fiscal year ended October 31, 2023. Accordingly, the percentages shown under "Versus previous fiscal year (%)" have been calculated based on the revised reportable segments.

(4) Analyses of financial position, operating results, and cash flows

Analysis of financial position, operating results, and cash flows during the consolidated fiscal year ended October 31, 2023 are as follows. All matters relating to the future in the sections below are based on the current views of the Group as of October 31, 2023.

1) Analysis of financial position

(i) Current assets

The balance of current assets at the end of the fiscal year under review was 217,526 million yen, an increase of 29,032 million yen from the end of the previous fiscal year.

This was mainly due to increases in notes and accounts receivable - trade, and contract assets (up 13,275 million yen from the end of the previous fiscal year) and cash and deposits (up 12,776 million yen).

(ii) Non-current assets

The balance of non-current assets at the end of the fiscal year under review was 223,727 million yen, a decrease of 2,546 million yen from the end of the previous fiscal year.

This mainly reflected an increase in deferred tax assets (up 652 million yen from the end of the previous fiscal year), which was offset by declines in property, plant and equipment (down 2,673 million yen) and intangible assets (down 1,342 million yen).

(iii) Current liabilities

The balance of current liabilities at the end of the fiscal year under review was 202,632 million yen, an increase of 74,063 million yen from the end of the previous fiscal year.

This was mainly due to increases in short-term borrowings (up 22,770 million yen from the end of the previous fiscal year), travel advances received (up 15,402 million yen), current portion of bonds payable (up 15,000 million yen), and “Other” under “Current liabilities” (up 9,812 million yen).

(iv) Non-current liabilities

The balance of non-current liabilities at the end of the fiscal year under review was 180,563 million yen, a decrease of 49,214 million yen from the end of the previous fiscal year.

This was mainly due to decreases in long-term borrowings (down 33,324 million yen from the end of the previous fiscal year) and bonds payable (down 15,000 million yen).

(v) Net assets

The balance of net assets at the end of the fiscal year under review was 58,149 million yen, an increase of 1,513 million yen from the end of the previous fiscal year.

This mainly reflected a decrease in retained earnings resulting from the booking of a loss attributable to owners of parent (down 2,571 million yen from the end of the previous fiscal year) and a decrease in capital surplus (down 727 million yen), offset by an increase in foreign currency translation adjustment (up 2,912 million yen) and a decrease in treasury shares (up 1,925 million yen).

2) Analysis of operating results

(i) Net sales

In the consolidated fiscal year ended October 31, 2023, net sales were 251,866 million yen, an increase of 109,071 million yen (up 76.4%) from the previous fiscal year. By reportable segment, net sales were 202,008 million yen (up 198.4%) in the Travel business, 3,356 million yen (down 84.2%) in the Theme Park business, 17,937 million yen (up 94.8%) in the Hotel business, and 21,676 million yen (up 20.7%) in the Kyushu Sanko Group.

At the start of the fiscal year under review, the HIS Group reclassified its original five segments (Travel business, Theme Park business, Hotel business, Kyushu Sanko Group, and Energy business) into four segments (Travel business, Theme Park business, Hotel business, and Kyushu Sanko Group). As a result, for comparison purposes, it has restated the figures for the previous fiscal year to reflect the new segment structure. For details, please refer to “Segment information, etc.” in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information.” Figures in each segment reflect the amounts before offsetting and eliminating intersegment transactions.

(ii) Operating expenses

Operating expenses in the fiscal year under review were 250,469 million yen, an increase of 59,740 million yen (up 31.3%) from the previous fiscal year.

Within operating expenses, cost of sales was 169,089 million yen, an increase of 54,552 million yen (up 47.6%) from the previous fiscal year.

Selling, general and administrative expenses were 81,380 million yen, an increase of 5,188 million yen (up 6.8%) from the previous fiscal year.

(iii) Operating profit (loss)

The Group reported operating profit of 1,397 million yen in the fiscal year under review, an increase of 49,331 million yen from an operating loss of 47,934 million yen in the previous fiscal year.

(iv) Ordinary profit (loss)

The Group reported ordinary profit of 1,446 million yen in the fiscal year under review, an increase of 50,447 million yen from an ordinary loss of 49,001 million yen in the previous fiscal year.

Main non-operating income included interest income (759 million yen) and foreign exchange gains (585 million yen), while main non-operating expenses included interest expenses (2,224 million yen).

(v) Loss attributable to owners of parent

The Group reported a loss before income taxes of 1,288 million yen in the fiscal year under review (versus loss before income taxes of 8,222 million yen in the previous fiscal year). The loss shrank by 6,934 million yen from the previous fiscal year.

Total income taxes in the fiscal year under review were 618 million yen (versus 2,833 million yen in the previous fiscal year), a decrease of 2,214 million yen from the previous fiscal year.

As a result, the Group reported a loss attributable to owners of parent of 2,618 million yen in the fiscal year under review (versus loss attributable to owners of parent of 9,547 million yen in the previous fiscal year). The loss narrowed by 6,928 million yen from the previous fiscal year.

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

For an analysis of cash flows, please refer to “(2) Cash Flows” in “4. Analyses of Financial Position, Business Results, and Cash Flows” under “II. Business Overview, Part I Information on the Company.”

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

4) Significant accounting estimates and underlying assumptions

The consolidated financial statements of the HIS Group are prepared in conformity with accounting standards that are generally accepted in Japan. In preparing the consolidated financial statements, the Group has used estimates that may affect the reported amounts for assets, liabilities, revenues, and expenses. These estimates have been rationally determined while taking into account historical performance and other factors. However, actual results may differ due to the uncertainties inherent in estimates.

Significant accounting estimates and underlying assumptions, as well as the assumptions underlying significant accounting estimates in relation to the COVID-19 pandemic are described in “Significant accounting estimates” in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information.”

5. Material Business Agreements, etc.

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

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

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

6. Research and Development Activities

There are no applicable matters to report.

III. Equipment and Facilities

1. Capital Expenditures

In the Travel business, the HIS Group works to expand its sales network while saving labor and streamlining operations. The Group also makes investments to improve profitability. Furthermore, the Group prioritizes investments in the Hotel business and the Kyushu Sanko Group, which are expected to grow over the long term.

The breakdown of capital expenditures during the consolidated fiscal year ended October 31, 2023 (based on the amounts recorded as property, plant and equipment, guarantee deposits, hardware, and software) is as follows.

Segment	Capital expenditures (millions of yen)
Travel business	2,644
Theme Park business	163
Hotel business	2,185
Kyushu Sanko Group	1,301
Reportable segment total	6,294
Other	398
Corporate-wide (shared)	729
Total	7,421

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

Travel business:	Relocation and renovation of branches and offices (989 million yen), development and improvement of travel reservation systems (1,654 million yen), etc.
Theme Park business:	Investment related to theme park facilities (137 million yen), etc.
Hotel business:	Construction of hotels in Turkey (1,206 million yen), etc.
Kyushu Sanko Group:	Purchase of vehicles (858 million yen), etc.
Other:	Development and improvement of systems at H.S. Insurance Co., Ltd. and SYS Inc. (315 million yen), etc.
Corporate-wide (shared):	Investments and other spending related to the replacement of computers

2. Principal Facilities

The Group's principal facilities are as follows.

(1) The filing company

Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings	Tools, furniture and fixtures	Land (thousand m^2)	Leased assets	Construction in progress	Guarantee deposits	Other	Total	
Headquarters and offices (Minato-ku, Tokyo, etc.)	Travel business	Branch facilities; reservation systems	946	170	– (–)	–	–	1,584	1,690	4,392	3,661 (446)
Headquarters (Minato-ku, Tokyo)	Other	Branch facilities; real estate	522	42	469 (2)	–	54	8	25	1,122	25 (72)
Headquarters (Minato-ku, Tokyo)	Corporate-wide (shared)	Office facilities; software	8,170	41	24,445 (1)	635	2	70	12	33,378	298 (14)

(Notes) 1. Of the book value, "Other" comprises vehicles, structures, artworks, and software, etc.

2. The number of temporary employees stated in parentheses refer to the annual average number of temporary workers, which is not included in the number of employees.

3. Of leased facilities, leasing fees incurred during the fiscal year under review was 2,009 million yen.

(2) Domestic subsidiaries

Company name Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings	Tools, furniture and fixtures	Land (thousand m^2)	Leased assets	Construction in progress	Guarantee deposits	Other	Total	
H.I.S. Hotel Holdings Co., Ltd. (Minato-ku, Tokyo, etc.)	Hotel business	Hotel facilities	26,350	375	20,280 (72)	—	—	863	79	47,949	112 (50)
Aquaignis Taki Hotel Asset Co., Ltd.(Takicho, Taki, Mie Prefecture)	Hotel business	Hotel facilities	5,947	83	— (—)	549	—	—	5	6,586	— (—)
Kyushu Sanko Bus Co., Ltd. (Nishi-ku, Kumamoto, Kumamoto Prefecture)	Kyushu Sanko Group	Business facilities, etc.	693	63	7,291 (122)	1,365	25	10	58	9,508	475 (61)
Kyushu Sanko Landmark Co., Ltd. (Chuo-ku, Kumamoto, Kumamoto Prefecture)	Kyushu Sanko Group	Business facilities, etc.	19,599	185	13,257 (17)	—	11	—	0	33,054	17 (5)

(Notes) 1. Of the book value, “Other” comprises vehicles and software, etc.
2. The number of temporary employees stated in parentheses refer to the annual average number of temporary workers, which is not included in the number of employees.
3. Of leased facilities, leasing fees incurred by domestic subsidiaries during the fiscal year under review was 2,154 million yen.
4. Facility names of domestic subsidiaries are consistent with company names.

(3) Overseas subsidiaries

Company name Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings	Tools, furniture and fixtures	Land (thousand m^2)	Leased assets	Construction in progress	Guarantee deposits	Other	Total	
HHH.USA. INC. (New York City, New York, U.S.A.)	Hotel business	Hotel facilities	4,937	61	2,888 (0)	—	1	—	5	7,895	30 (—)
Green World Hotels Co., Ltd. (Taipei, Taiwan)	Hotel business	Hotel facilities	2,175	98	491 (0)	8,853	0	747	252	12,619	241 (15)

(Notes) 1. Of the book value, “Other” comprises machinery, equipment, and software, etc.
2. The number of temporary employees stated in parentheses refer to the annual average number of temporary workers, which is not included in the number of employees.
3. Of leased facilities, leasing fees incurred by overseas subsidiaries during the fiscal year under review was 1,671 million yen.
4. Facility names of overseas subsidiaries are consistent with company names.

3. Plan for Additions and Disposals of Facilities

There are no plans to newly establish or add major facilities as of October 31, 2023.

IV. Information on the Company

1. Information on the Company's Shares

(1) Total Number of Shares, etc.

1) Total Number of Shares

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

2) Number of Shares Issued

Class	Number of shares issued as of end of fiscal year (October 31, 2023)	Number of shares issued as of filing date (January 26, 2024)	Stock exchange on which the Company is listed	Description
Common stock	79,860,936	79,860,936	Prime Market of the Tokyo Stock Exchange	Standard Company shares with no restricted rights; 100 shares constitute one unit.
Total	79,860,936	79,860,936	—	—

(Note) The "Number of shares issued as of filing date" column does not include the number of shares issued through the exercise of share acquisition rights from January 1, 2024 until the filing date for this Annual Securities Report.

(2) Information on Share Acquisition Rights, etc.

1) Details of Stock Option Program

There are no applicable matters to report.

2) Details of Rights Plans

There are no applicable matters to report.

3) Status of Other Share Acquisition Rights, etc.

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

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

* The information above is as of the end of the fiscal year under review (October 31, 2023). The information as of the end of the month preceding the filing date (December 31, 2023) has been omitted as it had not changed from the end of the fiscal year under review.

(Notes)

1. The number of shares of the Company's common stock to be delivered upon exercise of the share acquisition rights shall be the total of the par value of the bonds pertaining to the exercise request divided by the conversion price as described in (Note) 2 below. However, any fractions of less than one share resulting from the exercise shall be rounded down and no adjustment by cash shall be made.
2. (1) Initially, the conversion price will be 5,616 yen.

   (2) Regarding the conversion price, following the issuance of bonds with share acquisition rights, in the event the Company issues or disposes of shares of its common stock at a payment amount below the market price of the Company's common stock, the conversion price will be adjusted according to the formula below. In the formula below, the "number of shares already issued" means the total number of outstanding common shares of the Company (excluding those owned by the Company).

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

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

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

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

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

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

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

4. The increase in share capital arising from the issuance of shares upon exercise of subject share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting; any fraction less than one yen arising therefrom shall be rounded up to the nearest one yen.
5. (1) Partial exercise of each share acquisition right is not possible.

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

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

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

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

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

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

(2) The details of the Succeeding Company's share acquisition rights that are to be issued pursuant to the above provisions in (Note 6 (1)) are as follows.

1) Number of share acquisition rights

A number equal to the number of share acquisition rights attached to subject bonds that are outstanding as of the timing immediately before the effective date of reorganization.

2) Class of shares subject to share acquisition rights

Common stock of the Succeeding Company

3) Number of shares subject to share acquisition rights

The number of shares of the Succeeding Company's common stock delivered upon exercise of such company's share acquisition rights shall be determined by the Succeeding Company, taking into consideration the conditions of the reorganization. In addition to making decisions by referring to the terms of subject bonds, (i) or (ii) below shall be followed. The conversion price shall be subject to the same adjustment as in (Note) 2 (2) above.

(i) In the case of a merger, share exchange, or share transfer, the conversion price shall be determined so that the holder of the Company's common shares, the number of which amounting to the number of shares obtainable when subject share acquisition rights are exercised immediately before the effective date of reorganization, shall be able to receive the number of Succeeding Company's common shares the holder is eligible to receive from such reorganization by exercising the share acquisition rights immediately following the effective date of reorganization. If securities or other assets other than the common stock of the Succeeding Company are deliverable at the time of reorganization, the same number of shares of common stock of the Succeeding Company may be received as calculated by dividing the fair value of such securities or assets by the market price of the common stock of the Succeeding Company.

(ii) In the event of reorganization other than the above, the conversion price shall be determined so that the economic benefit received by exercising the Succeeding Company's share acquisition rights immediately after the effective date of reorganization will be equivalent to the economic benefit the holder of subject bonds would have received, had such holder exercised the subject share acquisition rights immediately prior to the effective date of such reorganization.

4) Assets to be contributed upon exercise of share acquisition rights and their value

Upon exercise of share acquisition rights of the Succeeding Company, the succeeded bonds shall be contributed; the value thereof shall be the same as the face value of the succeeded bonds.

5) Exercise period of share acquisition rights of the Succeeding Company

The exercise period of share acquisition rights of the Succeeding Company shall be from the effective date of the reorganization (or a specified date within 14 days after the effective date) until the expiration date of the exercise period of subject share acquisition rights as outlined in (Note) 3 above.

6) Other conditions for exercise of share acquisition rights

Partial exercise of each share acquisition right of the Succeeding Company is not possible. The exercise of share acquisition rights of the Succeeding Company is subject to the same limitations described in (Note 5 (2)) above.

7) Increase in share capital and legal capital surplus in the case of issuing shares upon exercise of share acquisition rights

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

8) In the event of corporate reorganization

Even in the event the Succeeding Company undergoes reorganization, the same procedures as with the subject bonds shall apply.

9) Other

Any fractions of less than one share resulting from the exercise of share acquisition rights of the Succeeding Company shall be rounded down and no adjustment in cash shall be made. Share acquisition rights of the Succeeding Company cannot be transferred separately from the succeeded B.

(3) In the event the Company has the Succeeding Company undertake or succeed the Company's obligations associated with subject bonds in accordance with the provisions of (Note 6 (1)) above, the Company shall abide by the terms of subject bonds and also bear a guarantee in certain cases specified in such terms.

7. Upon exercise of each share acquisition right, the bonds attached to the subject share acquisition rights shall be contributed, and the price of the bond shall be the same as the par value thereof.

Fifth Series of Share Acquisition Rights

Resolution date	November 2, 2021
Number of share acquisition rights*	17,214 units
Of which, number of share acquisition rights held by the Company*	—
Class, content, and number of shares subject to share acquisition rights*	Common shares, 1,721,400 (Note) 1
Amount payable on the exercise of share acquisition rights*	2,678.5 yen (Note) 2
Exercise period of share acquisition rights*	From November 24, 2021 to November 22, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Issue price: 2,711.08 yen Additional paid-in capital per share: 1,356 yen
Conditions for exercise of share acquisition rights*	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights*	Not applicable
Matters regarding grant of share acquisition rights accompanying corporate reorganization*	(Note) 5

* The information above is as of the end of the fiscal year under review (October 31, 2023). The information as of the end of the month preceding the filing date (December 31, 2023) has been omitted as it had not changed from the end of the fiscal year under review.

(Notes)

1. The type and total number of shares subject to the share acquisition rights shall be 1,721,400 common shares of the Company (the number of shares to be issued per share acquisition right [the “Number of Allotted Shares”] shall be 100 common shares of the Company). However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.
   (1) If an adjustment is made to the exercise price in accordance with the provisions in “Note 2. Adjustment of exercise price” below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the “Amount payable on the exercise of share acquisition rights” field.

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

   (2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of “Note 2. Adjustment of exercise price” concerning the adjustment reasons.
   (3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the “Rights Holders”) in writing of such adjustment and the reason therefor, the Number of Allotted Shares pre-adjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) of “Note 2. Adjustment of exercise price” below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.
2. Adjustment of exercise price
   (1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the “Exercise Price Adjustment Formula;” the exercise price after adjustment shall be referred to as the “Post-Adjustment Exercise Price” and the share price before adjustment as the “Pre-Adjustment Exercise Price”).

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

(2) The adjustment of the exercise price using the Exercise Price Adjustment Formula and the timing at which the Post-Adjustment Exercise Price becomes applicable shall be subject to the following.

1) If the Company issues new common shares at a price lower than the market price specified in Item (4) 2) below, or disposes of treasury shares (including those by means of gratis allotment) (excluding the cases of [1] issuance of new common shares to directors or employees of the Company or one of its subsidiaries, or disposals of treasury shares by the Company, based on the restricted stock compensation scheme introduced by the Company; or [2] acquisition, conversion, or exercise of securities that have been acquired or are subject to demand for acquisition by the Company in exchange of allotment of the Company's common shares, or share acquisition rights under which Rights Holders can demand the issuance of Company's common shares [including those attached to bonds with share acquisition rights] and other securities and rights; or [3] issuance of common shares of the Company under a share and share acquisition rights issuance program established in an agreement related to the establishment of a share and share acquisition rights issuance program between Pacific Alliance Asia Opportunity Fund L.P. and Hideo Sawada, the Chairman and Representative Director of the Company, based on the resolution by the Board of Directors on November 2, 2021 [hereinafter, the "Program"]), the Post-Adjustment Exercise Price shall be applicable on and after the day following the pay-in date (the final day of the payment period, if such a period is set), or on and after the day following the record date, if there is such a day for granting shareholders a right to allotment relating to such issuance or disposal.

2) If the Company issues common shares by means of a stock split or gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following the record date for the relevant stock split or gratis allotment (if no record date is set for a gratis allotment, the day on which the allotment becomes effective).

3) If common shares are acquired from the Company at a payment price lower than the market price specified in Item (4) 2) below as part of an exchange, if the Company issues securities (including through gratis allotment) that can request the Company to issue common shares at such a lower price, or if the Company issues share acquisition rights, bonds with share acquisition rights, or other securities or rights (including through gratis allotment) that can request the Company to issue common shares at such a lower price (excluding share acquisition rights issued as stock options to directors and employees of the Company or one of its subsidiaries by a resolution of the Board of Directors, or share acquisition rights issued under the Program based on the resolution by the Board of Directors on November 2, 2021), the Post-Adjustment Exercise Price shall be calculated using the Exercise Price Adjustment Formula on the assumption that the issued securities, share acquisition rights, or rights were all acquired at the initial acquisition price or exercised at the initial exercise price, and that the common shares of the Company were issued accordingly. The Post-Adjustment Exercise Price shall be applicable on and after the pay-in date for the securities or rights, or on and after the day following the allotment date of the share acquisition rights (including those attached to bonds with share acquisition rights). If there is a record date for share subscriptions or for gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following such date.

4) If the Company issues common shares at a price lower than the market price specified in Item (4) 2) below in exchange for shares subject to call or share acquisition rights subject to call (including those attached to bonds with shares acquisition rights) issued by the Company, the Post-Adjustment Exercise Price shall be applied from the day following the acquisition date.

5) In each of the cases specified in 1) through 3) above, if a record date has been set and the entry into force is subject to approval of the General Meeting of Shareholders, the Board of Directors, or any other body of the Company on and after that record day, notwithstanding any of the cases specified in 1) through 3) above, the Post-Adjustment Exercise Price shall be applied on and after the day following the date when the approval is given. In this case, the Company shall issue common shares to the Rights Holders who request to exercise their share acquisition rights between the day following the record date and day of approval using the following calculation method.

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

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

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

(4) 1) In using the Exercise Price Adjustment Formula, the Company shall calculate prices to their second decimal place and then round them down to the first decimal place.

2) The market price used in the Exercise Price Adjustment Formula shall be the simple average of the closing prices of the common shares of the Company on the Tokyo Stock Exchange during the 30 trading days (not including days on which no closing price is quoted) starting from the 45th trading day preceding the day when the Post-Adjustment Exercise Price is applied for the first time. In this case, the simple average price shall be calculated to the second decimal place and rounded down to the first decimal place.

3) The "number of common shares already issued" used in the Exercise Price Adjustment Formula shall be the total number of common shares issued as of the record date for granting shareholders the right to share allotment or, in the absence of any such record date, as of the day that is one month prior to the day when the Post-Adjustment Exercise Price is applied for the first time, less the number of common shares held by the Company as of such date. Further, in the case of item (2) 5) above, the "number of common shares newly issued or disposed of" used in the Exercise Price Adjustment Formula shall not include common shares that shall be allotted to the Company's common shares held by the Company on the record date.

(5) In cases other than the cases where an adjustment to the exercise price in accordance with item (2) above is required, the Company shall make necessary adjustments to the exercise price upon discussion with the Rights Holders in the following cases.

1) If the exercise price is required to be adjusted because of a stock consolidation, capital decrease, company split, share exchange, or merger;

2) If the exercise price is required to be adjusted because any other event or situation occurs that requires or may require a change to the number of common shares outstanding of the Company;

3) If multiple events that require the exercise price to be adjusted occur successively, and it becomes necessary to consider the effect of another event to determine the market price that shall be used for calculating the Post-Adjustment Exercise Price due to one event.

(6) If an adjustment is being made to the exercise price, the Company shall notify the Rights Holders in writing of such adjustment and the reason therefor, the Pre-Adjustment Exercise Price, the Post-Adjustment Exercise Price, and the first day when the Post-Adjustment Exercise Price becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) above or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

3. Total share issue price for shares issued upon exercise of share acquisition rights

4,610,769,900 yen

(Note) The total share issue price may be less than the amount indicated above if the share acquisition rights are not exercised during the exercise period, or if they are acquired and cancelled by the Company.

4. Share issue price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights

(1) Issue price per share in the event of issuance of shares upon exercise of share acquisition rights

The issue price per common share of the Company to be delivered upon exercise of the share acquisition rights shall be calculated by adding the total issue price for the share acquisition rights pertaining to the exercise request to the total amount of assets to be contributed upon exercise of each share acquisition right pertaining to the exercise request, and dividing that total by the number of shares subject to the share acquisition rights specified separately in the "Number of shares subject to share acquisition rights" field.

(2) Increases in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights

The increase in share capital arising from the issuance of shares upon exercise of share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. (Any fractions of less than one yen resulting therefrom shall be rounded up to the nearest one yen.) The increase in legal capital surplus shall be the amount obtained by deducting the amount of share capital to be increased from the maximum amount of increase in share capital.

5. In the event the Company engages in an absorption-type merger in which the Company will be the dissolved company, in a consolidation-type merger in which the Company will be the demerged company, in an absorption-type company split in which the Company will be the company to be split, in an incorporation-type company split in which the Company will be the company to be split, in a share exchange in which the company will be the wholly owned subsidiary company, or in a share transfer in which the company will be the wholly owned subsidiary company (hereafter all of which are collectively referred to as the "Reorganization"), the new entity (company surviving the absorption-type merger, company incorporated in a consolidation-type merger, successor company in absorption-type split, company incorporated in incorporation-type split, wholly owning parent company resulting from share exchange, or wholly owning parent company incorporated in a share transfer; hereafter all of which are collectively referred to as the "Reorganized Company") shall deliver new share acquisition rights to the Rights Holders in exchange for share acquisition rights remaining in effect immediately prior to the effective date of the Reorganization in accordance with the conditions below.

(1) Number of share acquisition rights of the Reorganized Company to be newly issued
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization based on the number of share acquisition rights owned by the Rights Holders. Any fractions of less than one right resulting therefrom shall be rounded down.

(2) Type of shares subject to share acquisition rights to be newly issued
The same type of shares of the Reorganized Company.

(3) Calculation method of the number of shares subject to share acquisition rights to be newly issued
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one share resulting therefrom shall be rounded down.

(4) Value of property invested for exercise of share acquisition rights to be newly issued
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one yen resulting therefrom shall be rounded down.

(5) Exercise period and exercise conditions for share acquisition rights to be newly issued, issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights
To be determined at the time of the Reorganization in accordance with the conditions stated separately in the “Exercise period of share acquisition rights” field, “Conditions for exercise of share acquisition rights” field, this section, and the “Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights” field.

Sixth Series of Share Acquisition Rights

Resolution date	November 22, 2021
Number of share acquisition rights*	18,280 units
Of which, number of share acquisition rights held by the Company*	—
Class, content, and number of shares subject to share acquisition rights*	Common shares, 1,828,000 (Note) 1
Amount payable on the exercise of share acquisition rights*	2,523.4 yen (Note) 2
Exercise period of share acquisition rights*	From December 24, 2021 to December 13, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Issue price: 2,552.97 yen Additional paid-in capital per share: 1,277 yen
Conditions for exercise of share acquisition rights*	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights*	Not applicable
Matters regarding grant of share acquisition rights accompanying corporate reorganization*	(Note) 5

* The information above is as of the end of the fiscal year under review (October 31, 2023). The information as of the end of the month preceding the filing date (December 31, 2023) has been omitted as it had not changed from the end of the fiscal year under review.

(Notes)

1. The type and total number of shares subject to the share acquisition rights shall be 1,828,000 common shares of the Company (the number of shares to be issued per share acquisition right [the "Number of Allotted Shares"] shall be 100 common shares of the Company). However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.
   (1) If an adjustment is made to the exercise price in accordance with the provisions in "Note 2. Adjustment of exercise price" below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the "Amount payable on the exercise of share acquisition rights" field.

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

   (2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of "Note 2. Adjustment of exercise price" concerning the adjustment reasons.
   (3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the "Rights Holders") in writing of such adjustment and the reason therefor, the Number of Allotted Shares pre-adjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) of "Note 2. Adjustment of exercise price" below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.
2. Adjustment of exercise price
   (1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the "Exercise Price Adjustment Formula;" the exercise price after adjustment shall be referred to as the "Post-Adjustment Exercise Price" and the share price before adjustment as the "Pre-Adjustment Exercise Price").

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

(2) The adjustment of the exercise price using the Exercise Price Adjustment Formula and the timing at which the Post-Adjustment Exercise Price becomes applicable shall be subject to the following.

1) If the Company issues new common shares at a price lower than the market price specified in Item (4) 2) below, or disposes of treasury shares (including those by means of gratis allotment) (excluding the cases of [1] issuance of new common shares to directors or employees of the Company or one of its subsidiaries, or disposals of treasury shares by the Company, based on the restricted stock compensation scheme introduced by the Company; or [2] acquisition, conversion, or exercise of securities that have been acquired or are subject to demand for acquisition by the Company in exchange of allotment of the Company's common shares, or share acquisition rights under which Rights Holders can demand the issuance of Company's common shares [including those attached to bonds with share acquisition rights] and other securities and rights; or [3] issuance of common shares of the Company under the Program established based on the resolution by the Board of Directors on November 2, 2021), the Post-Adjustment Exercise Price shall be applicable on and after the day following the pay-in date (the final day of the payment period, if such a period is set), or on and after the day following the record date, if there is such a day for granting shareholders a right to allotment relating to such issuance or disposal.

2) If the Company issues common shares by means of a stock split or gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following the record date for the relevant stock split or gratis allotment (if no record date is set for a gratis allotment, the day on which the allotment becomes effective).

3) If common shares are acquired from the Company at a payment price lower than the market price specified in Item (4) 2) below as part of an exchange, if the Company issues securities (including through gratis allotment) that can request the Company to issue common shares at such a lower price, or if the Company issues share acquisition rights, bonds with share acquisition rights, or other securities or rights (including through gratis allotment) that can request the Company to issue common shares at such a lower price (excluding share acquisition rights issued as stock options to directors and employees of the Company or one of its subsidiaries by a resolution of the Board of Directors, or share acquisition rights issued under the Program based on the resolution by the Board of Directors on November 2, 2021), the Post-Adjustment Exercise Price shall be calculated using the Exercise Price Adjustment Formula on the assumption that the issued securities, share acquisition rights, or rights were all acquired at the initial acquisition price or exercised at the initial exercise price, and that the common shares of the Company were issued accordingly. The Post-Adjustment Exercise Price shall be applicable on and after the pay-in date for the securities or rights, or on and after the day following the allotment date of the share acquisition rights (including those attached to bonds with share acquisition rights). If there is a record date for share subscriptions or for gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following such date.

4) If the Company issues common shares at a price lower than the market price specified in Item (4) 2) below in exchange for shares subject to call or share acquisition rights subject to call (including those attached to bonds with shares acquisition rights) issued by the Company, the Post-Adjustment Exercise Price shall be applied from the day following the acquisition date.

5) In each of the cases specified in 1) through 3) above, if a record date has been set and the entry into force is subject to approval of the General Meeting of Shareholders, the Board of Directors, or any other body of the Company on and after that record day, notwithstanding any of the cases specified in 1) through 3) above, the Post-Adjustment Exercise Price shall be applied on and after the day following the date when the approval is given. In this case, the Company shall issue common shares to the Rights Holders who request to exercise their share acquisition rights between the day following the record date and day of approval using the following calculation method.

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

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

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

(4) 1) In using the Exercise Price Adjustment Formula, the Company shall calculate prices to their second decimal place and then round them down to the first decimal place.

2) The market price used in the Exercise Price Adjustment Formula shall be the simple average of the closing prices of the common shares of the Company on the Tokyo Stock Exchange during the 30 trading days (not including days on which no closing price is quoted) starting from the 45th trading day preceding the day when the Post-Adjustment Exercise Price is applied for the first time. In this case, the simple average price shall be calculated to the second decimal place and rounded down to the first decimal place.

3) The "number of common shares already issued" used in the Exercise Price Adjustment Formula shall be the total number of common shares issued as of the record date for granting shareholders the right to share allotment or, in the absence of any such record date, as of the day that is one month prior to the day when the Post-Adjustment Exercise Price is applied for the first time, less the number of common shares held by the Company as of such date. Further, in the case of item (2) 5) above, the "number of common shares newly issued or disposed of" used in the Exercise Price Adjustment Formula shall not include common shares that shall be allotted to the Company's common shares held by the Company on the record date.

(5) In cases other than the cases where an adjustment to the exercise price in accordance with item (2) above is required, the Company shall make necessary adjustments to the exercise price upon discussion with the Rights Holders in the following cases.

1) If the exercise price is required to be adjusted because of a stock consolidation, capital decrease, company split, share exchange, or merger;

2) If the exercise price is required to be adjusted because any other event or situation occurs that requires or may require a change to the number of common shares outstanding of the Company;

3) If multiple events that require the exercise price to be adjusted occur successively, and it becomes necessary to consider the effect of another event to determine the market price that shall be used for calculating the Post-Adjustment Exercise Price due to one event.

(6) If an adjustment is being made to the exercise price, the Company shall notify the Rights Holders in writing of such adjustment and the reason therefor, the Pre-Adjustment Exercise Price, the Post-Adjustment Exercise Price, and the first day when the Post-Adjustment Exercise Price becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) above or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

3. Total share issue price for shares issued upon exercise of share acquisition rights

4,612,775,200 yen

(Note) The total share issue price may be less than the amount indicated above if the share acquisition rights are not exercised during the exercise period, or if they are acquired and cancelled by the Company.

4. Share issue price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights

(1) Issue price per share in the event of issuance of shares upon exercise of share acquisition rights

The issue price per common share of the Company to be delivered upon exercise of the share acquisition rights shall be calculated by adding the total issue price for the share acquisition rights pertaining to the exercise request to the total amount of assets to be contributed upon exercise of each share acquisition right pertaining to the exercise request, and dividing that total by the number of shares subject to the share acquisition rights specified separately in the "Number of shares subject to share acquisition rights" field.

(2) Increases in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights

The increase in share capital arising from the issuance of shares upon exercise of share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. (Any fractions of less than one yen resulting therefrom shall be rounded up to the nearest one yen.) The increase in legal capital surplus shall be the amount obtained by deducting the amount of share capital to be increased from the maximum amount of increase in share capital.

5. In the event the Company engages in an absorption-type merger in which the Company will be the dissolved company, in a consolidation-type merger in which the Company will be the demerged company, in an absorption-type company split in which the Company will be the company to be split, in an incorporation-type company split in which the Company will be the company to be split, in a share exchange in which the company will be the wholly owned subsidiary company, or in a share transfer in which the company will be the wholly owned subsidiary company (hereafter all of which are collectively referred to as the "Reorganization"), the new entity (company surviving the absorption-type merger, company incorporated in a consolidation-type merger, successor company in absorption-type split, company incorporated in incorporation-type split, wholly owning parent company resulting from share exchange, or wholly owning parent company incorporated in a share transfer; hereafter all of which are collectively referred to as the "Reorganized Company") shall deliver new share acquisition rights to the Rights Holders in exchange for share acquisition rights remaining in effect immediately prior to the effective date of the Reorganization in accordance with the conditions below.

(1) Number of share acquisition rights of the Reorganized Company to be newly issued
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization based on the number of share acquisition rights owned by the Rights Holders. Any fractions of less than one right resulting therefrom shall be rounded down.

(2) Type of shares subject to share acquisition rights to be newly issued
The same type of shares of the Reorganized Company.

(3) Calculation method of the number of shares subject to share acquisition rights to be newly issued
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one share resulting therefrom shall be rounded down.

(4) Value of property invested for exercise of share acquisition rights to be newly issued
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one yen resulting therefrom shall be rounded down.

(5) Exercise period and exercise conditions for share acquisition rights to be newly issued, issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights
To be determined at the time of the Reorganization in accordance with the conditions stated separately in the “Exercise period of share acquisition rights” field, “Conditions for exercise of share acquisition rights” field, this section, and the “Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights” field.

Seventh Series of Share Acquisition Rights

Resolution date	December 13, 2021
Number of share acquisition rights*	23,252 units
Of which, number of share acquisition rights held by the Company*	—
Class, content, and number of shares subject to share acquisition rights*	Common shares, 2,325,200 (Note) 1
Amount payable on the exercise of share acquisition rights*	1,983.3 yen (Note) 2
Exercise period of share acquisition rights*	From December 29, 2021 to December 28, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights*	Issue price: 2,007.1 yen Additional paid-in capital per share: 1,004 yen
Conditions for exercise of share acquisition rights*	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights*	Not applicable
Matters regarding grant of share acquisition rights accompanying corporate reorganization*	(Note) 5

* The information above is as of the end of the fiscal year under review (October 31, 2023). The information as of the end of the month preceding the filing date (December 31, 2023) has been omitted as it had not changed from the end of the fiscal year under review.

(Notes)

1. The type and total number of shares subject to the share acquisition rights shall be 2,325,200 common shares of the Company (the number of shares to be issued per share acquisition right [the "Number of Allotted Shares"] shall be 100 common shares of the Company). However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.
   (1) If an adjustment is made to the exercise price in accordance with the provisions in "Note 2. Adjustment of exercise price" below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the "Amount payable on the exercise of share acquisition rights" field.

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

   (2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of "Note 2. Adjustment of exercise price" concerning the adjustment reasons.
   (3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the "Rights Holders") in writing of such adjustment and the reason therefor, the Number of Allotted Shares pre-adjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) of "Note 2. Adjustment of exercise price" below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.
2. Adjustment of exercise price
   (1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the "Exercise Price Adjustment Formula;" the exercise price after adjustment shall be referred to as the "Post-Adjustment Exercise Price" and the share price before adjustment as the "Pre-Adjustment Exercise Price").

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

(2) The adjustment of the exercise price using the Exercise Price Adjustment Formula and the timing at which the Post-Adjustment Exercise Price becomes applicable shall be subject to the following.

1) If the Company issues new common shares at a price lower than the market price specified in Item (4) 2) below, or disposes of treasury shares (including those by means of gratis allotment) (excluding the cases of [1] issuance of new common shares to directors or employees of the Company or one of its subsidiaries, or disposals of treasury shares by the Company, based on the restricted stock compensation scheme introduced by the Company; or [2] acquisition, conversion, or exercise of securities that have been acquired or are subject to demand for acquisition by the Company in exchange of allotment of the Company's common shares, or share acquisition rights under which Rights Holders can demand the issuance of Company's common shares [including those attached to bonds with share acquisition rights] and other securities and rights; or [3] issuance of common shares of the Company under the Program established based on the resolution by the Board of Directors on November 2, 2021), the Post-Adjustment Exercise Price shall be applicable on and after the day following the pay-in date (the final day of the payment period, if such a period is set), or on and after the day following the record date, if there is such a day for granting shareholders a right to allotment relating to such issuance or disposal.

2) If the Company issues common shares by means of a stock split or gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following the record date for the relevant stock split or gratis allotment (if no record date is set for a gratis allotment, the day on which the allotment becomes effective).

3) If common shares are acquired from the Company at a payment price lower than the market price specified in Item (4) 2) below as part of an exchange, if the Company issues securities (including through gratis allotment) that can request the Company to issue common shares at such a lower price, or if the Company issues share acquisition rights, bonds with share acquisition rights, or other securities or rights (including through gratis allotment) that can request the Company to issue common shares at such a lower price (excluding share acquisition rights issued as stock options to directors and employees of the Company or one of its subsidiaries by a resolution of the Board of Directors, or share acquisition rights issued under the Program based on the resolution by the Board of Directors on November 2, 2021), the Post-Adjustment Exercise Price shall be calculated using the Exercise Price Adjustment Formula on the assumption that the issued securities, share acquisition rights, or rights were all acquired at the initial acquisition price or exercised at the initial exercise price, and that the common shares of the Company were issued accordingly. The Post-Adjustment Exercise Price shall be applicable on and after the pay-in date for the securities or rights, or on and after the day following the allotment date of the share acquisition rights (including those attached to bonds with share acquisition rights). If there is a record date for share subscriptions or for gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following such date.

4) If the Company issues common shares at a price lower than the market price specified in Item (4) 2) below in exchange for shares subject to call or share acquisition rights subject to call (including those attached to bonds with shares acquisition rights) issued by the Company, the Post-Adjustment Exercise Price shall be applied from the day following the acquisition date.

5) In each of the cases specified in 1) through 3) above, if a record date has been set and the entry into force is subject to approval of the General Meeting of Shareholders, the Board of Directors, or any other body of the Company on and after that record day, notwithstanding any of the cases specified in 1) through 3) above, the Post-Adjustment Exercise Price shall be applied on and after the day following the date when the approval is given. In this case, the Company shall issue common shares to the Rights Holders who request to exercise their share acquisition rights between the day following the record date and day of approval using the following calculation method.

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

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

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

(4) 1) In using the Exercise Price Adjustment Formula, the Company shall calculate prices to their second decimal place and then round them down to the first decimal place.

2) The market price used in the Exercise Price Adjustment Formula shall be the simple average of the closing prices of the common shares of the Company on the Tokyo Stock Exchange during the 30 trading days (not including days on which no closing price is quoted) starting from the 45th trading day preceding the day when the Post-Adjustment Exercise Price is applied for the first time. In this case, the simple average price shall be calculated to the second decimal place and rounded down to the first decimal place.

3) The "number of common shares already issued" used in the Exercise Price Adjustment Formula shall be the total number of common shares issued as of the record date for granting shareholders the right to share allotment or, in the absence of any such record date, as of the day that is one month prior to the day when the Post-Adjustment Exercise Price is applied for the first time, less the number of common shares held by the Company as of such date. Further, in the case of item (2) 5) above, the "number of common shares newly issued or disposed of" used in the Exercise Price Adjustment Formula shall not include common shares that shall be allotted to the Company's common shares held by the Company on the record date.

(5) In cases other than the cases where an adjustment to the exercise price in accordance with item (2) above is required, the Company shall make necessary adjustments to the exercise price upon discussion with the Rights Holders in the following cases.

1) If the exercise price is required to be adjusted because of a stock consolidation, capital decrease, company split, share exchange, or merger;

2) If the exercise price is required to be adjusted because any other event or situation occurs that requires or may require a change to the number of common shares outstanding of the Company;

3) If multiple events that require the exercise price to be adjusted occur successively, and it becomes necessary to consider the effect of another event to determine the market price that shall be used for calculating the Post-Adjustment Exercise Price due to one event.

(6) If an adjustment is being made to the exercise price, the Company shall notify the Rights Holders in writing of such adjustment and the reason therefor, the Pre-Adjustment Exercise Price, the Post-Adjustment Exercise Price, and the first day when the Post-Adjustment Exercise Price becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) 5) above or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

3. Total share issue price for shares issued upon exercise of share acquisition rights

4,611,569,160 yen

(Note) The total share issue price may be less than the amount indicated above if the share acquisition rights are not exercised during the exercise period, or if they are acquired and cancelled by the Company.

4. Share issue price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights

(1) Issue price per share in the event of issuance of shares upon exercise of share acquisition rights

The issue price per common share of the Company to be delivered upon exercise of the share acquisition rights shall be calculated by adding the total issue price for the share acquisition rights pertaining to the exercise request to the total amount of assets to be contributed upon exercise of each share acquisition right pertaining to the exercise request, and dividing that total by the number of shares subject to the share acquisition rights specified separately in the "Number of shares subject to share acquisition rights" field.

(2) Increases in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights

The increase in share capital arising from the issuance of shares upon exercise of share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17 of the Ordinance on Company Accounting. (Any fractions of less than one yen resulting therefrom shall be rounded up to the nearest one yen.) The increase in legal capital surplus shall be the amount obtained by deducting the amount of share capital to be increased from the maximum amount of increase in share capital.

5. In the event the Company engages in an absorption-type merger in which the Company will be the dissolved company, in a consolidation-type merger in which the Company will be the demerged company, in an absorption-type company split in which the Company will be the company to be split, in an incorporation-type company split in which the Company will be the company to be split, in a share exchange in which the company will be the wholly owned subsidiary company, or in a share transfer in which the company will be the wholly owned subsidiary company (hereafter all of which are collectively referred to as the "Reorganization"), the new entity (company surviving the absorption-type merger, company incorporated in a consolidation-type merger, successor company in absorption-type split, company incorporated in incorporation-type split, wholly owning parent company resulting from share exchange, or wholly owning parent company incorporated in a share transfer; hereafter all of which are collectively referred to as the "Reorganized Company") shall deliver new share acquisition rights to the Rights Holders in exchange for share acquisition rights remaining in effect immediately prior to the effective date of the Reorganization in accordance with the conditions below.

(1) Number of share acquisition rights of the Reorganized Company to be newly issued
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization based on the number of share acquisition rights owned by the Rights Holders. Any fractions of less than one right resulting therefrom shall be rounded down.

(2) Type of shares subject to share acquisition rights to be newly issued
The same type of shares of the Reorganized Company.

(3) Calculation method of the number of shares subject to share acquisition rights to be newly issued
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one share resulting therefrom shall be rounded down.

(4) Value of property invested for exercise of share acquisition rights to be newly issued
To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one yen resulting therefrom shall be rounded down.

(5) Exercise period and exercise conditions for share acquisition rights to be newly issued, issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights
To be determined at the time of the Reorganization in accordance with the conditions stated separately in the "Exercise period of share acquisition rights" field, "Conditions for exercise of share acquisition rights" field, this section, and the "Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights" field.

(3) Information on Moving Strike Convertible Bonds, etc.
There are no applicable matters to report.

(4) Changes in the Total Number of Issued Shares, Share Capital, etc.

Date	Increase/ decrease in total number of issued shares (shares)	Balance of issued shares (shares)	Increase/decrease in share capital (millions of yen)	Balance of share capital (millions of yen)	Increase/ decrease in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
October 19, 2020 (Note) 1	5,246,000	73,768,936	4,000	15,000	4,000	7,661
October 30, 2020 (Note) 2	(5,000,000)	68,768,936	—	15,000	—	7,661
November 1, 2020– October 31, 2021 (Note) 3	7,200,300	75,969,236	6,048	21,048	6,048	13,709
November 22, 2021 (Note) 4	1,140,600	77,109,836	1,250	22,298	1,250	14,959
December 13, 2021 (Note) 5	1,210,700	78,320,536	1,250	23,548	1,250	16,209
December 28, 2021 (Note) 6	1,540,400	79,860,936	1,250	24,798	1,250	17,459
October 27, 2022 (Note) 7	—	79,860,936	(24,698)	100	(17,434)	25

(Notes) 1. Increase due to a third-party allotment of new shares
Issue price: 1,525 yen
Additional paid-in capital: 762.5 yen
Allottee: Long Corridor Alpha Opportunities Master Fund
MAP246 Segregated Portfolio
2. Decrease due to cancellation of treasury shares
3. Increase due to exercise of share acquisition rights
4. Increase due to a third-party allotment of new shares
Issue price: 2,192 yen
Additional paid-in capital: 1,096 yen
Allottee: Pacific Alliance Asia Opportunity Fund L.P.
5. Increase due to a third-party allotment of new shares
Issue price: 2,065 yen
Additional paid-in capital: 1,032.5 yen
Allottee: Pacific Alliance Asia Opportunity Fund L.P.
6. Increase due to a third-party allotment of new shares
Issue price: 1,623 yen
Additional paid-in capital: 811.5 yen
Allottee: Pacific Alliance Asia Opportunity Fund L.P.
7. In accordance with the resolution of the extraordinary General Meeting of Shareholders held on October 27, 2022, the amounts of share capital and legal capital surplus have been reduced for the purpose of enhancing the financial position, and the resulting other capital surplus was 42,133 million yen, of which 13,363 million yen was appropriated to compensate for the deficit in retained earnings brought forward. As a result, share capital decreased by 24,698 million yen (capital reduction ratio of 99.6%) and the legal capital surplus decreased by 17,434 million yen (capital reduction ratio of 99.9%).

(5) Composition of Issued Shares by Type of Shareholders

As of October 31, 2023

Category	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	—	18	44	414	154	955	74,602	76,187	—
Share ownership (units)	—	87,106	18,902	51,772	52,750	5,400	581,013	796,943	166,636
Ownership percentage of shares (%)	—	10.93	2.37	6.50	6.62	0.68	72.91	100.00	—

(Notes) 1. Of the 5,148,865 treasury shares, 51,488 units are included in the "Individuals and others" column, while 65 shares are included in the "Number of shares less than one unit" column.

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

(6) Major Shareholders

As of October 31, 2023

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (excluding treasury shares) (%)
Hideo Sawada	Shibuya-ku, Tokyo	17,952	24.03
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsucho, Minato-ku, Tokyo	6,024	8.06
Hide Inter Ltd.	1-7-26 Shoto, Shibuya-ku, Tokyo	3,757	5.03
Custody Bank of Japan, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	2,502	3.35
H.I.S. Employee Stock Ownership Association	4-1-1 Toranomon, Minato-ku, Tokyo	945	1.26
Mayumi Sawada	Shibuya-ku, Tokyo	900	1.21
State Street Bank and Trust Company (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Services Department)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1 Konan, Minato-ku, Tokyo) (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	713	0.96
Hidetaka Sawada	Shibuya-ku, Tokyo	655	0.88
Mika Yoneyama	Mito, Ibaraki	654	0.88
Narimoto Kusuhara	Mitaka, Tokyo	512	0.69
Total	—	34,618	46.34

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

The Master Trust Bank of Japan, Ltd. 6,024 thousand shares

Custody Bank of Japan, Ltd. 2,502 thousand shares

(7) Information on Voting Rights

1) Issued Shares

As of October 31, 2023

Classification	Number of shares (shares)		Number of voting rights	Description
Shares without voting rights	—		—	—
Shares with restricted voting rights (treasury shares, etc.)	—		—	—
Shares with restricted voting rights (others)	—		—	—
Shares with full voting rights (treasury shares, etc.)	Common stock:	5,148,800	—	—
Shares with full voting rights (others)	Common stock:	74,545,500	745,455	—
Shares less than one unit	Common stock:	166,636	—	—
Total number of issued shares		79,860,936	—	—
Total number of voting rights held by all shareholders	—		745,455	—

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

2) Treasury Shares

As of October 31, 2023

Shareholder	Shareholder address	Number of shares held under own name	Number of shares held under another name	Total number of shares held	Ownership percentage to the total number of issued shares (%)
H.I.S. Co., Ltd.	4-1-1 Toranomon, Minato-ku, Tokyo	5,148,800	—	5,148,800	6.45
Total	—	5,148,800	—	5,148,800	6.45

2. Information on Acquisition of Treasury Shares, etc.

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

(1) Acquisition by Resolution at the General Meeting of Shareholders

There are no applicable matters to report.

(2) Acquisition by Resolution of the Board of Directors

There are no applicable matters to report.

(3) Acquisition Not Based on Resolutions at the General Meeting of Shareholders or of the Board of Directors

Classification	Number of shares	Total amount (millions of yen)
Treasury shares acquired during the year ended October 31, 2023	30	0
Treasury shares acquired during the period from November 1, 2023 to January 26, 2024	—	—

(Note) Fractional shares less than one trading unit purchased between January 1, 2024 and the filing date of this Annual Securities Report are not included in the number of treasury shares acquired during the period from November 1, 2023 to January 26, 2024.

(4) Status of the Disposition and Holding of Acquired Treasury Shares

Classification	Year ended October 31, 2023		November 1, 2023–January 26, 2024	
	Number of shares (shares)	Total amount disposed (millions of yen)	Number of shares (shares)	Total amount disposed (millions of yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were disposed of	—	—	—	—
Acquired treasury shares transferred due to merger, share exchange, share issuance, or demerger	—	—	—	—
Others (exercise of share acquisition rights)	750,000	1,899	—	—
Others (disposal of treasury shares as restricted stock remuneration)	10,385	26	—	—
Total number of treasury shares held	5,148,865	—	5,148,865	—

(Note) Fractional shares less than one trading unit purchased between January 1, 2024 and the filing date of this Annual Securities Report are not included in the total number of treasury shares held during the period from November 1, 2023 to January 26, 2024.

3. Dividend Policy

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

In accordance with the aforementioned basic policy, etc. on profit distributions, the Company decided not to pay an annual dividend for the fiscal year ended October 31, 2023, as it believed it needed to urgently stabilize its financial condition while working to achieve a recovery in earnings.

As for the dividend in the fiscal year ending October 31, 2024, the Company expects the recovery in travel demand to continue, and plans to pay an annual ordinary dividend of 10 yen per share based on a comprehensive consideration of its future financial situation. It will strive to achieve its longstanding basic policy of providing continuous and stable shareholder returns in tandem with a recovery in its financial performance.

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

4. Corporate Governance, etc.

(1) Overview of Corporate Governance

Basic policy on corporate governance

The Company pursues its HIS Group Purpose that is underpinned by its founding spirit, and uses its HIS Group Value as a set of guiding principles to achieve its Purpose. To ensure sustainable growth and enhance medium- to long-term corporate value, it aims to sufficiently fulfill its accountability to all stakeholders and be a company that is recognized and trusted by society.

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

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

1) Overview of corporate governance structure

The Company has adopted a corporate governance structure with an Audit & Supervisory Committee, and has set up a Human resources / Nomination Committee, a Compensation Committee, an Investment Committee, and a Financing/Fund Management Committee as advisory committees to its Board of Directors. As of the filing date of this report, the members of the various governance bodies are as follows.

The Board of Directors comprises 11 directors, including four outside directors, and is chaired by CEO Motoshi Yada. Other members include Director Tatsuya Nakamori, Director Masayuki Oda, Director Atsushi Yamanobe, Director Mutsumi Gomi, Director Hidetaka Sawada, Outside Director Junko Owada, Outside Director Shingo Kagawa, Outside Director and Audit & Supervisory Committee Member Atsushi Nabeshima, Outside Director and Audit & Supervisory Committee Member Hiroto Kaneko, and Director and Audit & Supervisory Committee Member Sonoko Sekita. The Board of Directors makes decisions regarding matters provided by laws and regulations, basic operating policies, and important matters related to management, and oversees the execution of duties by its directors and executive officers. As a rule, it meets once a month.

The Human resources / Nomination Committee comprises six directors, including three outside directors, and is chaired by CEO Motoshi Yada. Other members include Director Tatsuya Nakamori, Director Hidetaka Sawada, Outside Director Junko Owada, Outside Director and Audit & Supervisory Committee Member Atsushi Nabeshima, and Outside Director and Audit & Supervisory Committee Member Hiroto Kaneko. The committee appoints and dismisses directors and executive officers, and meets whenever the need arises.

The Compensation Committee comprises six directors, including three outside directors, and is chaired by CEO Motoshi Yada. Other members include Director Masayuki Oda, Director Hidetaka Sawada, Outside Director Junko Owada, Outside Director and Audit & Supervisory Committee Member Atsushi Nabeshima, and Outside Director and Audit & Supervisory Committee Member Hiroto Kaneko. The committee makes decisions regarding individual remuneration for directors, executive officers, and presidents of affiliated companies.

The Investment Committee comprises six directors, including three outside directors, and is chaired by CEO Motoshi Yada. Other members include Director Masayuki Oda, Director Atsushi Yamanobe, Outside Director Junko Owada, Outside Director Shingo Kagawa, and Outside Director and Audit & Supervisory Committee Member Hiroto Kaneko. The committee assists the Board of Directors with decisions regarding investment projects.

The Financing/Fund Management Committee comprises six directors, including two outside directors, and is chaired by CEO Motoshi Yada. Other members include Director Tatsuya Nakamori, Director Atsushi Yamanobe, Outside Director Shingo Kagawa, Outside Director and Audit & Supervisory Committee Member Hiroto Kaneko, and Director and Audit & Supervisory Committee Member Sonoko Sekita. The committee assists the Board of Directors with decisions regarding procurement and management of material funds.

2) Reason for adoption of corporate governance structure

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

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

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

3) Other matters related to corporate governance

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

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

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

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

1. The Company has put in place the necessary systems to ensure thorough risk management and compliance, and established a Risk / Compliance Committee to ensure the appropriateness of business operations through the promotion of risk management and compliance activities. The committee implements compliance measures for the Group as a whole, and promotes the strengthening of Group governance through initiatives such as reforming compliance awareness, reinforcing the supervisory functions of directors of Group companies, enhancing subsidiary management by the parent company, strengthening internal audits, undertaking initiatives for early detection of misconduct, and implementing remedial measures to prevent recurrence (including IT controls).
2. To ensure thorough ethical compliance, the Company has established the HIS Group Code of Conduct, which serves as guiding principles for the actions of Group employees within society. The Company aims to always act with the highest ethical sense and sincerity in accordance with this philosophy, while complying with all relevant laws and international rules. To ensure thorough ethical compliance, the Company has made the HIS Group Code of Conduct accessible on its website and intranet, and encourages its employees to review it and be reminded of it in their daily work.
3. The Board of Directors makes important business execution decisions through its resolutions and in accordance with laws and regulations, the Articles of Incorporation, and internal regulations. It also receives reports on the business execution status of each director and the performance of major Group companies. This important information, including board decisions and reports, is being appropriately retained, recorded, and managed by those departments with authority and responsibility in accordance with laws, regulations, and timely disclosure rules of the financial instruments exchange. In the event information is determined to be useful for shareholders and investors in making appropriate investment decisions, the Company makes efforts to provide appropriate disclosure.
4. The Company conducts training programs for its directors and executive officers to enhance their information security awareness. It will continue to investigate, and if deemed necessary improve, the management status and regulations of all Group companies in order to establish security standards and system development/operation standards for the Group as a whole.
5. The Risk / Compliance Committee, through its activities, implements compliance measures within the Group, and aims to enhance compliance awareness. Its Risk Management Office, which acts as the secretariat, also functions as a reporting and consultation desk for suspected cases of noncompliance by officers or employees of a subsidiary. In addition, the

committee is designing systems to help top management promote compliance and ensure compliance progress is reflected in the evaluation and treatment of the management team.

6. With regard to internal control measures to ensure the reliability of financial reporting as required by the Financial Instruments and Exchange Act, the Company evaluates internal controls within the evaluation scope defined by resolutions of its Board of Directors, while considering the importance of their impact on the appropriateness and reliability of financial reporting.
7. The Audit & Supervisory Committee, which utilizes the internal control and other systems, engages in regular exchanges of opinions with the representative director, directors responsible for the execution of business operations, and the accounting auditor. In conducting audits, the committee aims to work closely with the Audit Department (Internal Audit Division), and strives to ensure effective committee audits.

In addition to the items above, the Company also reviews various procedures in accordance with actual business operations.

(II) Risk management system and status

Matters that may negatively impact business results, financial condition, stock price, and other aspects of the Company and Group businesses are described in “3. Business and Other Risks” under “II. Business Overview, Part I Information on the Company.”

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

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

The two outside directors who are not members of the Audit & Supervisory Committee and all three directors who are members of the Audit & Supervisory Committee are non-executive directors. The Company has concluded agreements with these officers to limit their liability for damages as prescribed in Article 423, Paragraph 1 of the Companies Act pursuant to the provision in Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability under these agreements is the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act.

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

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

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

(V) Number of directors

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

(VI) Requirements for a resolution to appoint directors

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

(VII) Year-end dividend and interim dividend

a) Year-end dividend

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

b) Interim dividend

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

(VIII) Acquisition of treasury shares

Based on Article 165, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation stipulate that "through a resolution by the Board of Directors, treasury shares can be acquired through a market transaction or other means." The purpose of establishing this provision is to allow for flexible implementation of capital policies in response to changes in the business environment. The Board of Directors, in making a decision to acquire treasury shares, will comprehensively judge the status of business results including earnings trends, future performance projections, basic capital policies, etc. from the standpoint of continuous enhancement of corporate value and appropriate shareholder return.

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

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

(X) Special resolution at the General Meeting of Shareholders

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

(Y) Activity of the Board of Directors, Human resources / Nomination Committee, and Compensation Committee

a. Activity of the Board of Directors

The Board of Directors selects, deliberates, and decides on resolution items based on statutory requirements, the Articles of Incorporation, and internal regulations, and confirms and reviews the establishment of internal controls. In the fiscal year ended October 31, 2023, the activity of the Board of Directors was as follows.

	Title	Name	Attendance	Notes
Chair	CEO	Motoshi Yada	100% (12 meetings held, 12 attended)	
Member	Senior Managing Director	Tatsuya Nakamori	100% (12 meetings held, 12 attended)	
Member	Managing Director	Masayuki Oda	100% (12 meetings held, 12 attended)	
Member	Director and Senior Executive Officer	Atsushi Yamanobe	100% (12 meetings held, 12 attended)	
Member	Director and Senior Executive Officer	Mutsumi Gomi	100% (12 meetings held, 12 attended)	
Member	Director and Senior Executive Officer	Hidetaka Sawada	100% (12 meetings held, 12 attended)	
Member	Outside Director	Junko Owada	100% (10 meetings held, 10 attended)	Appointed on January 26, 2023
Member	Outside Director	Shingo Kagawa	90% (10 meetings held, nine attended)	Appointed on January 26, 2023
Member	Outside Director	Hiroto Kaneko	100% (10 meetings held, 10 attended)	Appointed on January 26, 2023
Member	Director and Top Adviser	Hideo Sawada	100% (12 meetings held, 12 attended)	
Member	Outside Director and Member of the Audit & Supervisory Committee	Tsunekazu Umeda	100% (12 meetings held, 12 attended)	
Member	Outside Director and Member of the Audit & Supervisory Committee	Atsushi Nabeshima	100% (12 meetings held, 12 attended)	
Member	Director and Full-time Member of the Audit & Supervisory Committee	Sonoko Sekita	100% (12 meetings held, 12 attended)	

(Note) In addition to the number of Board of Directors meetings held as shown above, there were four written resolutions deemed equivalent to those of Board of Directors meetings.

During the Board of Directors meetings in the fiscal year under review, specific discussions were held regarding various matters such as the formulation of a medium-term management plan, the examination of financial strategies, the consideration and appointment of key personnel, and the confirmation of material issues, indicators, and targets based on reports by the Sustainability Committee.

b. Activity of the Nomination Committee

In the fiscal year ended October 31, 2023, the activity of the Nomination Committee was as follows.

	Title	Name	Attendance	Notes
Chair	CEO	Motoshi Yada	100% (nine meetings held, nine attended)	
Member	Director and Top Adviser	Hideo Sawada	100% (two meetings held, two attended)	Member until March 15, 2023
Member	Senior Managing Director	Tatsuya Nakamori	89% (nine meetings held, eight attended)	
Member	Managing Director	Masayuki Oda	100% (nine meetings held, nine attended)	
Member	Director and Senior Executive Officer	Hidetaka Sawada	100% (seven meetings held, seven attended)	Member from March 15, 2023
Member	Outside Director	Tsunekazu Umeda	89% (nine meetings held, eight attended)	
Member	Outside Director	Atsushi Nabeshima	100% (nine meetings held, nine attended)	

During the Nomination Committee meetings in the fiscal year under review, specific discussions were held regarding the nomination of candidates for director and auditor, and the nomination and election of candidates for executive officer for the HIS Group.

c. Activity of the Compensation Committee

In the fiscal year ended October 31, 2023, the activity of the Compensation Committee was as follows.

	Title	Name	Attendance	Notes
Chair	CEO	Motoshi Yada	100% (nine meetings held, nine attended)	
Member	Director and Top Adviser	Hideo Sawada	100% (three meetings held, three attended)	Member until March 15, 2023
Member	Senior Managing Director	Tatsuya Nakamori	89% (nine meetings held, eight attended)	
Member	Managing Director	Masayuki Oda	100% (nine meetings held, nine attended)	
Member	Director and Senior Executive Officer	Hidetaka Sawada	100% (six meetings held, six attended)	Member from March 15, 2023
Member	Outside Director	Tsunekazu Umeda	89% (nine meetings held, eight attended)	
Member	Outside Director	Atsushi Nabeshima	100% (nine meetings held, nine attended)	

During the Compensation Committee meetings in the fiscal year under review, specific discussions were held regarding the evaluation of remuneration linked to the performance of the HIS Group, and determinations and proposals of amounts to be paid.

(2) Directors and Other Officers

1) Status of directors and other officers

Male: nine, Female: two (percentage of female directors 18.2%)

Title	Name	Date of birth	Career summary	Term of office	Share ownership (thousands)
President, Representative Director, and Chief Executive Officer (CEO)	Motoshi Yada	July 25, 1961	Aug. 1993 Joined the Company May. 1998 Assistant Manager of Kanto Sales Division May. 2000 Manager of HQ President's Office Sep. 2001 Manager of HQ HR Division Nov. 2004 Manager of Kansai Sales Division Oct. 2005 Advisor to Kyushu Industrial Transportation Co., Ltd. (currently KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.) Nov. 2005 Representative Director and President of Kyushu Industrial Transportation Co., Ltd. (currently KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.) Jan. 2020 Director of the Company Apr. 2021 Director and Senior Executive Officer of the Company; In charge of Consolidated Finance and Accounting, Consolidated HR, CS & ES, General Affairs, Corporate Planning Division, CSR, Legal Affairs and Internal Control, and Compliance; Chief Financial Officer (CFO) Apr. 2021 Director and Chairman of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. (current) Mar. 2022 President and Chief Operating Officer (COO) of the Company Feb. 2023 President and Chief Executive Officer (CEO) of the Company (current)	(Note) 2	7
Senior Managing Director; In charge of Inbound Business Strategy	Tatsuya Nakamori	August 4, 1967	Nov. 1986 Joined the Company Jan. 2010 Director of the Company; In charge of West Japan Area Sales; General Manager of Kansai Area Sales Division Mar. 2014 Managing Director of the Company; In charge of Airline-related Purchasing/Arrangement, and Online Travel Business Nov. 2016 Managing Director of the Company; President of HIS Japan Jan. 2018 Director and Senior Managing Executive Officer of the Company; President of HIS Japan Aug. 2020 Director and Senior Managing Executive Officer of the Company; President of HIS Japan, Chief Digital Officer Apr. 2022 Senior Managing Director of the Company; In charge of Inbound Business Strategy (current) Representative Director and President of Japan Holiday Travel Co., Ltd. (current)	(Note) 2	31
Managing Director; In charge of Group Strategy, Affiliates, and M&A; Chief Information Security Officer	Masayuki Oda	January 1, 1966	Jun. 1996 Joined the Company Mar. 2014 Executive Officer of the Company; General Manager of Kansai Area Sales Division Jan. 2016 Director of the Company; In charge of Kansai, Chugoku, Shikoku, Kyushu Area Sales; In charge of Global Product Marketing; General Manager of Kansai Area Sales Division Nov. 2016 Director of the Company; Vice President of HIS Japan; General Manager of Domestic Travel Division Jan. 2018 Director and Managing Executive Officer of the Company; Vice President of HIS Japan; General Manager of Domestic Travel Division Feb. 2018 Director and Managing Executive Officer of the Company; In charge of Corporate Planning Division, Global Business Strategy Division, and Global System Development Division; General Manager of Affiliate Management Division May. 2019 Director and Managing Executive Officer of the Company; In charge of Corporate Planning Division, Affiliate Management Division, HQ HR Division, CS & ES, General Affairs, and CSR; General Manager of Global Business Strategy Division Jan. 2021 Director and Managing Executive Officer of the Company; In charge of Affiliate Management Division and Online Experience Division; General Manager of Global Business Strategy Division Apr. 2022 Managing Director of the Company; In charge of Group Strategy, Affiliates, and M&A Jul. 2023 Managing Director of the Company; In charge of Group Strategy, Affiliates, and M&A Chief Information Security Officer (current)	(Note) 2	10

Title	Name	Date of birth	Career summary	Term of office	Share ownership (thousands)
Director, Senior Executive Officer, General Manager of Corporate Sales Division	Atsushi Yamanobe	March 18, 1970	Apr. 1993 Joined the Company Mar. 2014 Executive Officer of the Company; Manager of Kanto Sales Division; Manager of Kanto Web Business Division; Manager of Kanto Corporate Sales and Group Travel Division Jan. 2016 Director of the Company; In charge of East Japan Area Sales; General Manager of Kanto Area – Overseas Travel Division Nov. 2016 Director of the Company; Vice President of HIS Japan; General Manager of Kansai Area Sales Division Jan. 2018 Director and Senior Executive Officer of the Company; Vice President of HIS Japan; General Manager of Kansai Area Sales Division Mar. 2018 Director and Senior Executive Officer of the Company; Vice President of HIS Japan; General Manager of Corporate Travel Sales Division Apr. 2022 Director and Senior Executive Officer of the Company; General Manager of Corporate Sales Division; In charge of New Business Strategy Oct. 2022 Director and Senior Executive Officer of the Company; General Manager of Corporate Sales Division (current)	(Note) 2	9
Director, Senior Executive Officer; In charge of New Business Strategy	Mutsumi Gomi	June 6, 1968	Apr. 1992 Joined the Company May. 2010 Manager of East Japan FIT Department Sep. 2012 Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; Head of Jakarta Central Branch Jan. 2016 Executive Officer of the Company; Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; Head of the Jakarta Central Branch Dec. 2017 Executive Officer of the Company; Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; General Manager of Southeast Asia Central Sales Division & Head of Jakarta Central Branch Jan. 2018 Director and Senior Executive Officer of the Company; Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; General Manager of Southeast Asia Central Sales Division & Head of Jakarta Central Branch Nov. 2018 Director and Senior Executive Officer of the Company; Chief Information Officer (CIO); In Charge of Southeast and South Asia Oct. 2022 Director and Senior Executive Officer of the Company; In charge of New Business Strategy (current)	(Note) 2	8
Director, Senior Executive Officer; In charge of Individual Travel Business Strategy and Domestic Travel; Head of Investment Strategy Division	Hidetaka Sawada	November 2, 1981	Apr. 2005 Joined Nikko Cordial Securities Inc. (currently SMBC Nikko Securities Inc.) Jun. 2006 Director of Sawada Holdings Co., Ltd. (currently HS Holdings Co., Ltd.) Sep. 2006 Director of H.S. Securities Co., Ltd. (currently J Trust Global Securities Co., Ltd.) Feb. 2012 Representative Director and President of Bestone.com Co., Ltd. Jul. 2016 Representative Director and President of Fivestar Cruise Co., Ltd. (current) Jan. 2019 Representative Director of Ebisu Ryokan K.K. (current) Jan. 2020 Director of the Company Apr. 2022 Director and Senior Executive Officer of the Company; In charge of Domestic Travel Business Strategy Representative Director and Chairman of Bestone.com Co., Ltd. (current) Nov. 2022 Director and Senior Executive Officer of the Company; In charge of Domestic Travel Business Strategy; Head of Investment Strategy Division Mar. 2023 Director and Senior Executive Officer of the Company; In charge of Individual Travel Business Strategy and Domestic Travel; Head of Investment Strategy Division (current)	(Note) 2	655

Title	Name	Date of birth	Career summary	Term of office	Share ownership (thousands)
Outside Director (Note) 1	Junko Owada	August 31, 1965	Apr. 1989 Joined Nippon Telegraph and Telephone Corporation (currently NTT Communications Corporation) Aug. 2001 Recruit Group Co., Ltd., HR Measurement Institute Apr. 2009 Executive Officer, Recruit Management Solutions Co., Ltd. Apr. 2013 Executive Officer, Recruit Career Co., Ltd. Jul. 2016 Fellow, Recruit Career Co., Ltd. Advisor, Tokyo Ichiban Foods Co., Ltd. (current) Apr. 2017 Professional Contract, HR, Hitachi, Ltd. (current) Jun. 2020 Outside Director, ARBEIT-TIMES CO., LTD. (current) May. 2021 Outside Director, AEON MALL Co., Ltd. (current) Jan. 2023 Outside Director of the Company (current)	(Note) 2	1
Outside Director (Note) 1	Shingo Kagawa	March 8, 1958	Apr. 1981 Joined Fujitsu Limited Apr. 2012 Executive Officer, General Manager of Network Service Business Division, and General Manager of Video Network Service Business Division, Fujitsu Limited Apr. 2015 Managing Executive Officer, Deputy General Manager of Integration Service Division, Fujitsu Limited Apr. 2016 Senior Managing Executive Officer/CTO, General Manager of Digital Services Division, Fujitsu Limited Apr. 2018 President and Representative Director, Fujitsu Research Institute May. 2020 Outside Director, Furuno Electric Co., Ltd. (current) Oct. 2020 President and Representative Director, DigiIT Co., Ltd. (currently SS Technologies Co., Ltd.) Oct. 2021 Director and Chairman, SS Technologies Co., Ltd. May. 2022 Outside Director, MINISTOP Co., Ltd. (current) Jan. 2023 Outside Director of the Company (current)	(Note) 2	—
Outside Director, Audit & Supervisory Committee Member (Note) 1	Atsushi Nabeshima	August 2, 1946	Jul. 1969 Joined Tokio Marine & Fire Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.) Jul. 1995 Director, General Manager of Operation Department, Tokio Marine Medical Service Co., Ltd. Jul. 2001 Compliance Officer, Tokio Marine & Nichido Life Insurance Co., Ltd. Jun. 2003 Director, HABA Laboratories, Inc.; In charge of Product Development and Medical-related Business Jan. 2007 Director, HABA Laboratories, Inc.; In charge of General Affairs, Human Resources, and Accounting Dec. 2007 Representative Director and President, Shinshu Pharmaceutical, Inc. Jun. 2019 Executive Director, Showa Kaikan Jan. 2021 Outside Director and Audit & Supervisory Committee Member of the Company (current) Jun. 2021 Director General, Showa Kaikan (current)	(Note) 3	1
Outside Director, Audit & Supervisory Committee Member (Note) 1	Hiroto Kaneko	February 26, 1957	Apr. 1980 Joined Arthur Andersen Accounting Office (currently KPMG AZSA LLC) Mar. 1983 Registered as a certified public accountant Jun. 1988 Seconded to Arthur Andersen Germany Duesseldorf Office Sep. 1999 Partner, Arthur Andersen (currently KPMG) Jul. 2000 Representative Partner, Asahi Audit Corporation (currently KPMG AZSA LLC) Jun. 2005 Deputy General Manager, IFRS Division, KPMG AZSA LLC Jul. 2010 Director, Headquarters, KPMG AZSA LLC Jul. 2015 Managing Director, KPMG AZSA LLC Jul. 2021 Director, Hiroto Kaneko Certified Public Accountant Office (current) Mar. 2022 Outside Director and Audit and Supervisory Committee Member of Doctorbook INC. (current) Jan. 2023 Outside Director of the Company (current) Jun. 2023 Outside Director, Audit & Supervisory Committee Member of Nisshin Seifun Group Inc. (current) Outside Director, Audit and Supervisory Committee Member of PayPay Corporation (current) Jan. 2024 Outside Director and Audit & Supervisory Committee Member of the Company (current)	(Note) 3	—

Title	Name	Date of birth	Career summary	Term of office	Share ownership (thousands)
Director, Full-time Audit & Supervisory Committee Member	Sonoko Sekita	July 23, 1965	Feb. 1988 Joined the Company May. 2000 Assistant Manager, Accounting Department, Kanto Area Sales Division Apr. 2008 Accounting Group Leader, HQ Accounting Division Dec. 2012 Seconded to H.I.S. MANAGEMENT SERVICES SDN.BHD. as Director and Manager of Accounting Jan. 2015 Full-time Corporate Auditor of the Company Jan. 2016 Director and Full-time Audit & Supervisory Committee Member of the Company (current)	(Note) 3	25
			Total		747

(Notes) 1. Directors Junko Owada and Shingo Kagawa, and Directors and Audit & Supervisory Committee Members Atsushi Nabeshima and Hiroto Kaneko are outside directors.

2. Term of office extends until the conclusion of the General Meeting of Shareholders for the last business year within one year from the conclusion of the General Meeting of Shareholders held on January 25, 2024.
3. Term of office extends until the conclusion of the General Meeting of Shareholders for the last business year within two years from the conclusion of the General Meeting of Shareholders held on January 25, 2024.
4. The Company has instituted an executive officer system with the aim of enhancing the business execution structure. Names and positions of executive officers (excluding executive officers who concurrently serve as directors) are as follows.

Position		Name
Executive Officer	General Manager of HQ Information System Division and General Manager of HQ DX Promotion Division	Kiyoshi Takano
Executive Officer	President & CEO of HIS Design and Plus Co., Ltd.	Ken Fukushima
Executive Officer	President & CEO of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.	Yuji Iwama
Executive Officer	General Manager of Overseas Business Division and President & CEO of H.I.S. CANADA HOLDINGS INC.	Hideo Hatano
Executive Officer	General Manager of Private Travel Sales Division; In charge of Overseas Travel	Kozo Arita
Executive Officer	Director and Executive Officer of H.S. Insurance Co., Ltd.; In charge of Finance and Accounting; General Manager of Finance & Accounting Dept.	Yuka Kataoka
Executive Officer	President of North, Central and South American, Hawaii, and Micronesia Regional Company	Konosuke Oda
Executive Officer	President & CEO of Miki Tourist Co., Ltd.	Katsumi Hine
Executive Officer	General Manager of Accounting & Finance Division	Osamu Hanazaki
Executive Officer	Head of Corporate Planning Office and General Manager of Affiliate Management Division and Corporate Management Division	Katsu Segawa
Executive Officer	General Manager of the Central and South America Division and General Manager of Mexico Subsidiary	Tomohisa Kumamoto
Executive Officer	Director and CEO of GROUP MIKI HOLDINGS LIMITED and President of Europe, Middle East and Africa Regional Company	Shigeru Fukui

At its Board of Directors meeting held on January 25, 2024, the Company resolved to appoint the following individuals as executive officers from February 1, 2024.

Position		Name
Executive Officer	President of Asia and Oceania Regional Company	Norikazu Tsuda
Executive Officer	General Manager of HQ HR Division	Shohei Akao

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

a) Basic thinking on the number and appointment status of outside directors

At present, the Company has four outside directors, two of whom have been appointed as members of the Audit & Supervisory Committee (directors serving as members of the Audit & Supervisory Committee). In addition, the Company has appointed two directors not serving as members of the Audit & Supervisory Committee.

Outside Director and Audit & Supervisory Committee Member Atsushi Nabeshima has extensive experience and knowledge gained mainly by participating in the organizational management of Tokio Marine & Fire Insurance Co., Ltd., a large traditional company, and the management of HABA Laboratories, Inc., a venture-type listed company. He has been appointed as a director and member of the Audit & Supervisory Committee because he is expected to provide advice and suggestions related to the management of the Company from an independent and objective perspective, drawing on his deep insight in corporate ethics and corporate governance, and to fulfill the responsibilities of the Audit & Supervisory Committee.

Outside Director and Audit & Supervisory Committee Member Hiroto Kaneko has cultivated a global perspective at Arthur Andersen Accounting Office, and gained extensive experience and a wealth of knowledge in auditing and accounting consulting over many years working as a certified public accountant, including by handling various corporate issues. He has participated in management as a member of corporate management, and accordingly possesses expertise as a manager. He has been appointed as a director and member of the Audit & Supervisory Committee because he is expected to provide advice and suggestions related to the management of the Company from an independent and objective perspective, drawing on the aforementioned experience and achievements, and to fulfill the responsibilities of the Audit & Supervisory Committee.

Outside Director Junko Owada has accumulated broad experience while working in various departments at Nippon Telegraph and Telephone Corporation (currently NTT Communications Corporation), including the Corporate Planning Department of a branch office, the Public Relations Department of a regional office, the International Department at headquarters, and the Human Resources Department. She has deep knowledge in areas such as personnel recruitment and training, as well as IT, and has been involved in such work, including the development of systems to handle HR solutions, at Recruit. She possesses a wealth of business experience and knowledge, having served as an advisor and outside director at listed companies. She has been appointed as an outside director because her experience and achievements are expected to contribute to the decision-making of the Board of Directors of the Company, the expansion of the business domains and global development of the HIS Group, as well as the sustainable growth and enhancement of its corporate value.

Outside Director Shingo Kagawa has promoted network and digital services at Fujitsu Limited for many years, and has deep knowledge of information and communication technology (ICT) and digital transformation (DX). He has participated in the management of Fujitsu Research Institute as representative director, and has a wealth of experience and insight as a manager. He has been appointed as an outside director because his experience and achievements are expected to contribute to the decision-making of the Board of Directors of the Company, the expansion of the business domains and global development of the Group, as well as the sustainable growth and enhancement of its corporate value.

All of the Company's current outside directors satisfy the independence requirement stipulated by the Tokyo Stock Exchange's (TSE) provision on independent directors. With the consent of these individuals, the Company designated them as independent directors and submitted an Independent Director Notification to the TSE.

b) Details on standards and policies regarding independence of outside directors

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

i) The individual is not at present, nor has never in the past been an executive director, corporate officer, executive officer, or employee (hereinafter, "Business Executor") of the Company, its subsidiaries, or associates (the "Group")

ii) The individual is not a major shareholder (a shareholder listed among the top ten shareholders on the latest shareholder registry or a shareholder with a ratio of 10% or more of the total voting rights), nor does not currently belong to an organization that is a major shareholder

iii) The individual is not a Business Executor of a company, of which the Group is a major shareholder (a shareholder listed among the top ten shareholders on the latest shareholder registry or a shareholder with a ratio of 10% or more of the total voting rights)

iv) The individual is not a person belonging to a business partner engaged in transactions with the Group (totaling 2% of consolidated net sales of either party per year) in the three most recent fiscal years

v) The individual is not a Business Executor of a financial institution that is a major lender to the Group (lender of an amount equivalent to 2% or more of the Company's consolidated total assets)

vi) The individual is not a Business Executor of the Group's leading brokerage firm

vii) The individual is not a consultant, accounting expert, or legal expert who has obtained cash or other asset gains of 10 million yen or more on average in a single fiscal year other than officer remuneration from the Company, nor an accounting auditor or contracted adviser of the Company (if a corporation, association or group, the person belonging to said organization) in the three most recent fiscal years

viii) The individual is not a person currently belonging to a non-profit organization that has received from the Company a contribution amounting to 2% or more of its total income or ordinary profit in the three most recent fiscal years

ix) If the individual has a history of belonging to an organization or business partner indicated in (ii) to (viii) above, he/she must be retired from said organization or business partner for three or more years

x) The individual is not a spouse or a relative within the second degree of kinship of (ii) to (ix) above

xi) In addition to the above, those with special circumstances preventing them from fulfilling their duties as outside directors with independence, including possible conflicts of interest with the Company, etc.

3) Status of cooperation between outside directors and the Internal Audit Division

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

4) Personal, capital, and trade relationships or other interests between outside directors and the Company

a) Relationship of interest between Atsushi Nabeshima and the Company

There are no personal, capital, or trade relationship, or other interests between Atsushi Nabeshima and the Company. The status of Company shareholdings by Atsushi Nabeshima is listed under “1) Status of directors and other officers.”

b) Relationship of interest between Hiroto Kaneko and the Company

There are no personal, capital, or trade relationship, or other interests between Hiroto Kaneko and the Company. The status of Company shareholdings by Hiroto Kaneko is listed under “1) Status of directors and other officers.”

c) Relationship of interest between Junko Owada and the Company

There are no personal, capital, or trade relationship, or other interests between Junko Owada and the Company. The status of Company shareholdings by Junko Owada is listed under “1) Status of directors and other officers.”

d) Relationship of interest between Shingo Kagawa and the Company

There are no personal, capital, or trade relationship, or other interests between Shingo Kagawa and the Company. The status of Company shareholdings by Shingo Kagawa is listed under “1) Status of directors and other officers.”

(3) Status of Audits

1) Audit & Supervisory Committee

(I) Audit & Supervisory Committee organization and personnel

The Company's Audit & Supervisory Committee consists of three directors (directors serving as members of the Audit & Supervisory Committee), including two outside directors. In addition to appointing one full-time members of the Audit & Supervisory Committee, the Audit & Supervisory Committee appoints all members as Appointed Audit & Supervisory Committee Members under Article 399-3, Paragraph 1 of the Companies Act.

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

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

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

(II) Overview of Audit & Supervisory Committee meetings

The Audit & Supervisory Committee holds a regular monthly meeting that lasts 50 minutes on average, and extraordinary meetings whenever necessary. In the fiscal year ended October 31, 2023, all members attended the meetings held during their term of office.

	Number of meetings	Attendance rate during term of office
Sonoko Sekita (Full-time, Appointed Audit & Supervisory Committee Member)	12	100%
Tsunekazu Umeda (Appointed Audit & Supervisory Committee Member)	12	100%
Atsushi Nabeshima (Appointed Audit & Supervisory Committee Member)	12	100%

[Specific topics discussed by the Audit & Supervisory Committee in the fiscal year under review] (Including important matters related to the fiscal year under review)

・Voting on year-end proposals related to personnel affairs and remuneration
・Receipt of audit report, etc. from the accounting auditor
・Evaluation of the accounting auditor, and examination of remuneration
・Receipt and audit of financial results report, approval of business report, preparation and filing of audit report
・Audit of preparation and implementation of the General Meeting of Shareholders
・Formulation of yearly audit plans at the beginning of the fiscal year and the follow-up of PDCA cycle
・Interviews with directors and other officers, or sharing of reports on such initiatives by the full-time member of the Audit & Supervisory Committee
・Exchanges of opinion with the president and representative director
・Exchanges of opinion with outside directors
・Deliberations on key audit matters (KAMs) with the accounting auditor
・Examination of items to evaluate the effectiveness of the Board of Directors, and evaluation of results
・Confirmation of progress with projects to strengthen Group governance
・Sending and collecting questionnaires to gauge conditions in the Group Auditor Liaison Committee
・Evaluation of the effectiveness of the Audit & Supervisory Committee, and examination of issues to be addressed in the next fiscal year
・Determination of "the policies and procedures for obtaining preliminary approval from the Audit & Supervisory Committee regarding the provision of non-assurance services by the accounting auditor, etc." and "agreement regarding comprehensive operations subject to preliminary approval regarding non-assurance services by the accounting auditor, etc.," and approval of individual matters outside the comprehensive scope

(III) Audit procedures, etc.

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

The full-time member of the Audit & Supervisory Committee participates in key meetings, including at Group companies, and orally reports information from interviews with directors, executive officers, general managers, etc. at regular meetings of the Audit & Supervisory Committee. In addition, the member promptly shares information via email or other means as needed, and examines necessary measures to resolve issues.

[Specific audit activities, etc.]

Activity type	Items/description	Main/important issues raised, etc.
Participation in important meetings	Weekly meetings with full-time directors and executive officers	Reporting on progress by business, sharing of issues
	Group company management meetings	Sharing of sales conditions and problem handling
	Annual groupwide meeting	Annual report, sharing of next-year plan and strategy
Exchange of opinions with directors, executive officers, general managers, etc.	Progress with annual plan Initiatives related to management challenges Execution of duties by directors and executive officers, etc.	Achievement probability versus plan, causes for shortfalls against targets, and reflection and improvement; decision-making processes related to effectiveness and midway changes to plan; initiatives to resolve isolated or systematic issues, etc.
Interviews with subsidiaries and associates	Market environment and progress with annual and medium-term plans Initiatives related to management challenges Requests to the headquarters, etc.	
Group Company Audit & Board members meetings	Dissemination of various types of information by parent company, sending and collecting questionnaires Yearly meetings	Response to and addressing of common issues; effective communication with individuals in charge of business execution, etc.
Meetings with the Internal Audit Division	Examination of internal audit plans, and receipt of implementation report Progress with special investigations, receipt of findings, examinations of problems, etc.	Initiatives to improve audit effectiveness; support for business types that are expanding
Meetings with the Internal Control Office	Report on progress with J-SOX compliance, report of annual plan and results, etc.	Review of scope of coverage
Meetings with CS and ES Management Division of HIS headquarters	Confirmation of status of internal reporting and consultations, receipt of reports on improvement efforts, etc.	Relative and fundamental improvement initiatives to address issues learned from internal reports or consultation
Meetings with the accounting auditor	Quarterly results review reports, key audit matter (KAM) deliberations Audit reports for annual financial results	Identification of designated risks, response to problems that have emerged, appropriateness of language used, etc.
Viewing of important documents	Viewing of approval requests and contracts to confirm matters resulting from approval of requests and content of major contracts	Evaluation whether atypical approval documents and decision processes are appropriate, and whether follow-up after execution is appropriate
Year-end audit procedure	Interview with the Accounting Division regarding financial statements Receipt of reports from the accounting auditor and examination of content Examination of explanation of business reports by related divisions	Confirmation of degree of awareness of problems and abnormalities; evaluation of whether measures to resolve problems are appropriate; evaluation of whether disclosure method and language used are adequate or appropriate

2) Internal audit

(I) Internal audit organization, personnel, procedures, and initiatives to ensure effectiveness

Internal auditing of the Company's divisions and operations of its Group companies (including internal control auditing) is conducted regularly based on internal auditing rules, internal auditing conduct standards, and annual auditing plans by the Internal Audit Department (nine members) under the direct supervision of the president and representative director.

The Internal Audit Department reports the audit results and recommendations for improvement to the president and representative director, relevant directors, and responsible personnel in corresponding departments and divisions, ensures the audited departments submit improvement reports, and confirms the reports. Reporting to the Audit & Supervisory Committee aims to establish close collaboration by concurrently receiving necessary instructions, and thus plays a role in supporting systematic audits by the Audit & Supervisory Committee, which utilizes the internal control system.

(II) Mutual cooperation between the audits of the Internal Audit Division, Audit & Supervisory Committee, and accounting auditor, and their relationship to the Internal Control Division

To enhance the effectiveness of audits in an efficient and effective way, mutual cooperation is pursued between the audits of the Internal Audit Division, Audit & Supervisory Committee, and accounting auditor (so-called “three-way audits”), and these three parties regularly exchange necessary information and make necessary adjustments. The Internal Control Division puts in place and operates controls for companies subject to evaluation, and the separate Internal Audit Department objectively evaluates the status of such efforts, and utilizes the evaluation as important reference information for internal audits based on its own plans.

3) Accounting audit

(I) Name of accounting auditor

Deloitte Touche Tohmatsu LLC

(II) Continuous audit period

25 years

(III) Certified public accountants who conducted the accounting audit

Designated Limited Liability Partners and Engagement Partners: Atsushi Numata, Takuya Inoue

(IV) Accounting audit assistant composition

14 certified public accountants, six individuals who have passed the certified public accountant exam, and 32 others

(V) Accounting auditor selection policy and underlying reasons

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

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

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

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

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

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

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

(Millions of yen)

Category	Year ended October 31, 2022		Year ended October 31, 2023	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Filing company	204	—	112	—
Consolidated subsidiaries	104	—	75	—
Total	308	—	187	—

(Consolidated fiscal year ended October 31, 2022)

There are no applicable matters regarding non-audit services to report on.

(Consolidated fiscal year ended October 31, 2023)

There are no applicable matters regarding non-audit services to report on.

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

(Millions of yen)

Category	Year ended October 31, 2022		Year ended October 31, 2023	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Filing company	—	0	—	0
Consolidated subsidiaries	140	5	198	14
Total	140	6	198	15

(Consolidated fiscal year ended October 31, 2022)

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

(Consolidated fiscal year ended October 31, 2023)

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

(III) Details of other significant fees for audit and attestation services

(Consolidated fiscal year ended October 31, 2022)

There are no applicable matters to report.

(Consolidated fiscal year ended October 31, 2023)

There are no applicable matters to report.

(IV) Policy on determination of audit fees

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

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

The Audit & Supervisory Committee agreed to the audit fees for the consolidated fiscal year ended October 31, 2023 after verifying the appropriateness of the details of the audit plan (schedule, risk approach, etc.) and the compensation level based on the track record of the accounting auditor in the previous fiscal year, and with reference to the composition of the deployed accountants, research materials published by the Institute of Certified Public Accountants, and case studies involving other companies.

(4) Executive Remuneration, etc.

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

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

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

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

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

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

[Remuneration policy]

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

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

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

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

[Remuneration system]

The remuneration system for the Company's directors (excluding directors serving as members of the Audit & Supervisory Committee) consists of four categories: a) basic monthly remuneration, b) performance-linked remuneration (linked to ordinary profit), c) stock options, and d) restricted stock compensation. The types of remuneration and the objectives for, and overview of, each type of remuneration are shown in the table below.

Table: Remuneration system for the Company's directors (excluding directors serving as members of the Audit & Supervisory Committee)

Remuneration type		Objective/summary
Fixed	a. Basic monthly remuneration	The Company determines amounts commensurate with directors' roles and positions, and pays these as basic monthly remuneration.
Variable	b. Performance-linked remuneration (linked to ordinary profit)	To calculate performance-linked remuneration, the Company uses the average of the three highest ordinary profit amounts recorded in the last 10 consolidated fiscal years as a reference value. As a rule, the Company pays an amount equivalent to 7% of the amount obtained by subtracting this reference value from the ordinary profit amount for the current fiscal year. However, based on earning performance trends, the Company may adjust the abovementioned 7% by 1–2 points. ・Concrete amounts are determined within a range of 0–200% of the standard amount in accordance with the degree of earnings achievement in each fiscal year. ・Paid as a lump-sum at the end of each fiscal year
	c. Stock option	The Company has established a stock option program as a form of remuneration that aims to enhance corporate value over the medium to long term. The total amount is kept within the annual amount (within 100 million yen) approved by the General Meeting of Shareholders.
	d. Restricted stock compensation	The Company allots restricted stock to directors (excluding directors serving as members of the Audit & Supervisory Committee, non-executive directors, part-time directors, and outside directors), and accordingly aims to motivate directors to work toward continuous improvement of corporate value, and further align their interests with those of its shareholders. (The total amount is kept within the annual amount [within 100 million yen] approved by the General Meeting of Shareholders.) ・Standard amount is calculated as monthly remuneration × multiple based on position at the Company

[Remuneration levels]

To ensure objectiveness and transparency of the decision-making process, the remuneration structure and levels for directors and executive officers are determined by a resolution of the Board of Directors following a review by the Compensation Committee.

[Remuneration composition]

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

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

In determining matters involving remuneration, etc. for individual directors, the Compensation Committee has conducted extensive deliberations, including on whether the remuneration is consistent with the determination policy, and these matters have been deliberated and determined in the meetings of the Board of Directors. As a result, the Board of Directors has also determined that the remuneration is in line with the determination policy. However, as a result of the significant impact of the global COVID-19 pandemic on business performance, the remuneration, etc. for individual directors in the fiscal year ended October 31, 2023 was not based on the remuneration composition above, but was reviewed by the Compensation Committee, and deliberated and determined by the Board of Directors.

2) Executive remuneration, etc.

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

Officer category	Total amount of remuneration (millions of yen)	Total amount by type of remuneration (millions of yen)					Number of eligible officers
		Fixed remuneration	Performance -linked remuneration	Stock option	Restricted stock compensation	Bonus payments	
Directors (excluding members of the Audit & Supervisory Committee) (excluding outside directors)	132	109	－	－	22	－	7
Directors (members of the Audit & Supervisory Committee) (excluding outside directors)	10	10	－	－	－	－	1
Outside directors	12	12	－	－	－	－	3
Outside directors (members of the Audit & Supervisory Committee)	11	11	－	－	－	－	2

(Notes) 1. The maximum amount of remuneration paid to directors (excluding members of the Audit & Supervisory Committee) was set at 500 million yen per year (includes executive bonuses, but excludes payments related to employee status) by a resolution approved at the 35th General Meeting of Shareholders held on January 27, 2016. (The number of directors [excluding members of the Audit & Supervisory Committee] at the conclusion of that General Meeting of Shareholders was 10). A separate resolution was approved at the 36th General Meeting of Shareholders held on January 26, 2017 to grant directors (excluding members of the Audit & Supervisory Committees) share acquisition rights amounting to up to 100 million yen per year as stock options, and cap the number of share acquisition right units that can be allotted within one year from the date of the General Meeting of Shareholders of each fiscal year at 700 units. (The number of directors [excluding members of the Audit & Supervisory Committee] at the conclusion of that General Meeting of Shareholders was 10.) In addition, at the 37th General Meeting of Shareholders held on January 25, 2018, a resolution was approved to cap monetary claims payable corresponding to restricted stock compensation for directors (excluding members of the Audit & Supervisory Committee) at 100 million yen per year, and to cap the total number of common shares corresponding to restricted stock compensation to 100,000 shares per year. (The number of directors [excluding members of the Audit & Supervisory Committee] at the conclusion of that General Meeting of Shareholders was seven.) Finally, the Audit & Supervisory Committee has determined that the aforementioned remuneration, etc. is appropriate.

2. The maximum amount of remuneration paid to directors (members of the Audit & Supervisory Committee) was set at 50 million yen per year (including executive bonuses) by a resolution approved at the 35th General Meeting of Shareholders held on January 27, 2016. (The number of directors [members of the Audit & Supervisory Committee] at the conclusion of that General Meeting of Shareholders was three.)

3. The performance indicator, etc. for the payment of bonus amounts as performance-linked remuneration, its calculation method, and the reason the performance indicator was selected are described in "1) Matters related to remuneration amounts, etc. for officers and policy for determining calculation method for such amounts." As the performance indicator target was not achieved within the fiscal year under review, no bonuses were paid.

4. The stock options and restricted stock compensation, which are both non-monetary forms of remuneration, are described in “1) Matters related to remuneration amounts, etc. for officers and policy for determining calculation method for such amounts.”
5. Fixed remuneration includes contributions to defined contribution pension plans.

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

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

(5) Information on Shareholdings

(I) Criteria for shareholding classification and rationale

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

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

There are no applicable matters to report.

(III) Investment securities held solely for pure investment

Classification	Year ended October 31, 2023		Year ended October 31, 2022	
	Number of stock names	Total amount on balance sheet (millions of yen)	Number of stock names	Total amount on balance sheet (millions of yen)
Unlisted stocks	23	1,367	17	1,245
Stocks other than the above	—	—	—	—

Classification	Year ended October 31, 2023 (millions of yen)		
	Total dividend income	Total gains (losses) on sale	Total gains (losses) on valuation
Unlisted stocks	1	—	—
Stocks other than the above	—	—	—

V. Financial Information

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

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

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

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

2. Independent auditing of financial statements

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law, the Company arranged for the auditing firm Deloitte Touche Tohmatsu LLC to conduct independent audits of the consolidated and non-consolidated financial accounts of the Company for the fiscal year under review (November 1, 2022 to October 31, 2023).

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

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

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Assets		
Current assets		
Cash and deposits	*3 144,795	*3 157,571
Notes and accounts receivable - trade, and contract assets	*1 11,538	*1 24,814
Trade accounts receivable	298	656
Securities	212	23
Travel advance payments	6,231	8,418
Prepaid expenses	1,724	1,916
Short-term loans receivable	133	45
Short-term loans receivable from subsidiaries and associates	205	275
Accounts receivable - other	20,001	19,575
Other	5,721	5,929
Allowance for doubtful accounts	(2,370)	(1,701)
Total current assets	188,493	217,526
Non-current assets		
Property, plant and equipment		
Buildings	93,062	96,795
Accumulated depreciation	(16,895)	(20,230)
Buildings, net	*2, *3, *9 76,166	*2, *3, *9 76,564
Tools, furniture and fixtures	12,142	12,355
Accumulated depreciation	(9,444)	(10,162)
Tools, furniture and fixtures, net	*9 2,697	*3, *9 2,193
Land	*2, *3, *5 70,975	*2, *3, *5 71,062
Leased assets	27,978	30,021
Accumulated depreciation	(15,576)	(17,445)
Leased assets, net	12,401	12,576
Construction in progress	6,306	3,718
Other	10,036	9,961
Accumulated depreciation	(8,229)	(8,394)
Other, net	*3, *9 1,807	*3, *9 1,567
Total property, plant and equipment	170,356	167,682
Intangible assets		
Goodwill	2,369	2,092
Other	*9 15,539	*9 14,472
Total intangible assets	17,908	16,565
Investments and other assets		
Investment securities	2,990	3,379
Shares of subsidiaries and associates	2,865	2,780
Investments in capital of subsidiaries and associates	77	73
Long-term loans receivable	11	201
Long-term loans receivable from subsidiaries and associates	504	205
Retirement benefit asset	671	800
Deferred tax assets	6,949	7,602
Guarantee deposits	*3 20,825	*3 20,789
Other	3,805	4,132
Allowance for doubtful accounts	(694)	(487)
Total investments and other assets	38,009	39,479
Total non-current assets	226,274	223,727
Deferred assets	217	92
Total assets	414,984	441,346

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Liabilities		
Current liabilities		
Trade accounts payable	6,698	10,122
Short-term borrowings	*3, *6 28,555	*3, *6 51,326
Current portion of bonds payable	—	*8 15,000
Current portion of long-term borrowings	*3 32,156	*3 32,128
Accounts payable - other	*3 17,298	*3 20,458
Accrued expenses	3,999	4,377
Income taxes payable	310	980
Accrued consumption taxes	711	1,629
Travel advances received	*1 14,256	*1 29,659
Lease obligations	2,646	3,111
Provision for bonuses	1,293	3,354
Provision for bonuses for directors (and other officers)	51	82
Other	*1 20,590	*1 30,402
Total current liabilities	128,569	202,632
Non-current liabilities		
Bonds payable	*8 20,000	*8 5,000
Convertible bond-type bonds with share acquisition rights	*8 25,036	*8 25,018
Long-term borrowings	*2, *3, *7 156,727	*2, *3, *7 123,403
Deferred tax liabilities	*5 4,963	*5 4,719
Retirement benefit liability	6,234	6,223
Provision for retirement benefits for directors (and other officers)	445	433
Lease obligations	11,635	11,164
Other	*1 4,734	*1 4,601
Total non-current liabilities	229,778	180,563
Total liabilities	358,348	383,196
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	28,498	27,770
Retained earnings	26,327	23,755
Treasury shares	(14,972)	(13,046)
Total shareholders' equity	39,954	38,580
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	230	64
Deferred gains or losses on hedges	8	30
Foreign currency translation adjustment	7,085	9,998
Remeasurements of defined benefit plans	141	143
Total accumulated other comprehensive income	7,466	10,236
Share acquisition rights	399	165
Non-controlling interests	8,815	9,166
Total net assets	56,636	58,149
Total liabilities and net assets	414,984	441,346

2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Net sales	*1 142,794	*1 251,866
Cost of sales	114,536	169,089
Gross profit	28,257	82,777
Selling, general and administrative expenses	*2 76,192	*2 81,380
Operating profit (loss)	(47,934)	1,397
Non-operating income		
Interest income	263	759
Dividend income	247	361
Foreign exchange gains	892	585
Subsidy income	556	567
Other	1,169	686
Total non-operating income	3,129	2,961
Non-operating expenses		
Interest expenses	2,000	2,224
Other	2,195	687
Total non-operating expenses	4,196	2,912
Ordinary profit (loss)	(49,001)	1,446
Extraordinary income		
Gain on sale of non-current assets	1,393	4
Gain on sale of investment securities	1,446	—
Gain on sale of shares of subsidiaries and associates	40,842	192
Reversal of allowance for doubtful accounts	—	108
Subsidy income	*3 10,860	*3 1,160
Gain on reversal of impairment losses	—	*4 98
Total extraordinary income	54,543	1,564
Extraordinary losses		
Loss on sale of non-current assets	—	8
Impairment loss	*5 4,022	*5 2,895
Loss on valuation of investment securities	—	323
Loss on valuation of shares of subsidiaries and associates	—	137
Loss on sale of shares of subsidiaries and associates	8,405	—
Loss on valuation of other investments	—	*6 203
Loss on sale of other investments	—	*7 730
Losses from downtime	1,336	—
Total extraordinary losses	13,764	4,298
Profit (loss) before income taxes	(8,222)	(1,288)
Income taxes - current	1,084	1,558
Income taxes - deferred	1,748	(939)
Total income taxes	2,833	618
Profit (loss)	(11,056)	(1,906)
Profit (loss) attributable to non-controlling interests	(1,508)	711
Profit (loss) attributable to owners of parent	(9,547)	(2,618)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Profit (loss)	(11,056)	(1,906)
Other comprehensive income		
Valuation difference on available-for-sale securities	(482)	(166)
Deferred gains or losses on hedges	1	21
Foreign currency translation adjustment	9,066	1,919
Remeasurements of defined benefit plans	1	8
Share of other comprehensive income of entities accounted for using equity method	44	(0)
Total other comprehensive income	* 8,631	* 1,782
Comprehensive income	(2,424)	(124)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,059)	(826)
Comprehensive income attributable to non-controlling interests	(1,364)	702

3) Consolidated Statement of Changes in Equity

Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	21,048	13,328	22,275	(15,004)	41,647
Cumulative effects of changes in accounting policies			233		233
Restated balance	21,048	13,328	22,508	(15,004)	41,880
Changes during period					
Issuance of new shares	3,750	3,750			7,500
Capital reduction	(24,698)	24,698			—
Deficit disposition		(13,363)	13,363		—
Profit (loss) attributable to owners of parent			(9,547)		(9,547)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(8)		32	24
Change in scope of consolidation			2		2
Purchase of treasury shares of consolidated subsidiaries		(0)			(0)
Capital increase of consolidated subsidiaries		93			93
Net changes in items other than shareholders' equity					
Total changes during period	(20,948)	15,170	3,818	32	(1,926)
Balance at end of period	100	28,498	26,327	(14,972)	39,954

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	713	7	(1,859)	118	(1,020)	158	23,360	64,145
Cumulative effects of changes in accounting policies			5		5		1	240
Restated balance	713	7	(1,854)	118	(1,015)	158	23,361	64,385
Changes during period								
Issuance of new shares								7,500
Capital reduction								—
Deficit disposition								—
Profit (loss) attributable to owners of parent								(9,547)
Purchase of treasury shares								(0)
Disposal of treasury shares								24
Change in scope of consolidation								2
Purchase of treasury shares of consolidated subsidiaries								(0)
Capital increase of consolidated subsidiaries								93
Net changes in items other than shareholders' equity	(482)	1	8,940	22	8,482	241	(14,546)	(5,822)
Total changes during period	(482)	1	8,940	22	8,482	241	(14,546)	(7,749)
Balance at end of period	230	8	7,085	141	7,466	399	8,815	56,636

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	28,498	26,327	(14,972)	39,954
Changes during period					
Issuance of new shares					—
Capital reduction					—
Deficit disposition					—
Profit (loss) attributable to owners of parent			(2,618)		(2,618)
Purchase of treasury shares		(0)		(0)	(0)
Disposal of treasury shares		(643)		1,926	1,282
Change in scope of consolidation			46		46
Purchase of treasury shares of consolidated subsidiaries					—
Capital increase of consolidated subsidiaries		(83)			(83)
Net changes in items other than shareholders' equity					
Total changes during period	—	(727)	(2,571)	1,925	(1,373)
Balance at end of period	100	27,770	23,755	(13,046)	38,580

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	230	8	7,085	141	7,466	399	8,815	56,636
Changes during period								
Issuance of new shares								—
Capital reduction								—
Deficit disposition								—
Profit (loss) attributable to owners of parent								(2,618)
Purchase of treasury shares								(0)
Disposal of treasury shares								1,282
Change in scope of consolidation								46
Purchase of treasury shares of consolidated subsidiaries								—
Capital increase of consolidated subsidiaries								(83)
Net changes in items other than shareholders' equity	(166)	21	2,912	2	2,769	(234)	351	2,886
Total changes during period	(166)	21	2,912	2	2,769	(234)	351	1,513
Balance at end of period	64	30	9,998	143	10,236	165	9,166	58,149

4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	(8,222)	(1,288)
Depreciation	12,487	10,500
Impairment loss	4,022	2,895
Gain on reversal of impairment losses	—	(98)
Amortization of goodwill	686	512
Increase (decrease) in provision for bonuses	613	2,016
Increase (decrease) in provision for bonuses for directors (and other officers)	23	29
Increase (decrease) in retirement benefit liability	(76)	(70)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	47	(15)
Interest and dividend income	(510)	(1,121)
Foreign exchange losses (gains)	(227)	(503)
Interest expenses	2,000	2,224
Loss (gain) on sale of property, plant and equipment	(1,393)	4
Loss (gain) on sale of investment securities	(1,446)	—
Loss (gain) on valuation of investment securities	74	323
Loss (gain) on sale of shares of subsidiaries and associates	(32,437)	(192)
Loss on valuation of shares of subsidiaries and associates	120	137
Loss on valuation of other investments	—	203
Loss on sale of other investments	—	730
Other loss (gain)	(133)	(1,433)
Decrease (increase) in accounts receivable - trade, and contract assets	(1,921)	(13,086)
Decrease (increase) in travel advance payments	3,475	(2,203)
Decrease (increase) in other assets	(8,345)	(955)
Increase (decrease) in trade payables	(3,838)	3,735
Increase (decrease) in accrued consumption taxes	684	886
Increase (decrease) in accrued expenses	(345)	122
Increase (decrease) in travel advances received	(1,298)	15,078
Increase (decrease) in other liabilities	22,757	14,741
Subtotal	(13,204)	33,174
Interest and dividends received	679	1,105
Interest paid	(1,930)	(2,142)
Income taxes refund (paid)	(459)	(1,062)
Net cash provided by (used in) operating activities	(14,915)	31,075

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Cash flows from investing activities		
Payments into time deposits	(12,001)	(50,556)
Proceeds from withdrawal of time deposits	19,442	12,711
Purchase of securities	(0)	(141)
Proceeds from redemption of securities	—	347
Purchase of property, plant and equipment and intangible assets	(8,912)	(6,487)
Proceeds from sale of property, plant and equipment and intangible assets	10,931	175
Purchase of investment securities	(1,061)	(1,240)
Proceeds from sale of investment securities	2,809	272
Proceeds from redemption of investment securities	1,281	20
Purchase of shares of subsidiaries and associates	(963)	(377)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 (1,772)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(2,032)	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	*3 39,847	—
Loan advances	(40)	(65)
Collection of loans receivable	3,909	210
Payments for guarantee deposits	(777)	(879)
Proceeds from refund of guarantee deposits	1,005	983
Other, net	85	406
Net cash provided by (used in) investing activities	53,520	(46,393)
Cash flows from financing activities		
Proceeds from short-term borrowings	111,262	160,584
Repayments of short-term borrowings	(113,922)	(136,857)
Proceeds from long-term borrowings	4,255	1,693
Repayments of long-term borrowings	(1,570)	(35,619)
Dividends paid to non-controlling interests	(44)	(76)
Purchase of treasury shares	(0)	(0)
Proceeds from issuance of shares	7,500	—
Proceeds from share issuance to non-controlling shareholders	150	288
Repayments to non-controlling shareholders	—	(500)
Proceeds from issuance of share acquisition rights	165	—
Proceeds from disposal of treasury shares resulting from exercise of share acquisition rights	—	1,249
Other, net	(2,337)	(2,547)
Net cash provided by (used in) financing activities	5,458	(11,785)
Effect of exchange rate change on cash and cash equivalents	4,680	818
Net increase (decrease) in cash and cash equivalents	48,744	(26,284)
Cash and cash equivalents at beginning of period	88,079	136,939
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	115	181
Cash and cash equivalents at end of period	*1 136,939	*1 110,836

Notes to Consolidated Financial Statements

(Significant matters that serve as the basis for preparation of the consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

The consolidated financial statements include the accounts of 131 subsidiaries of the Company. The names of principal subsidiaries are listed in “3. Description of Business” under “I. Overview of the Company, Part I Information on the Company.”

In the consolidated fiscal year ended October 31, 2023, Cross E Holdings Co., Ltd. and one other company were added to the scope of consolidation as they were newly established.

SCI Stenberg College International Inc. was added to the scope of consolidation through a share acquisition.

H.I.S. Mobile Co., Ltd. was added to the scope of consolidation due to its increased significance.

Consolidated subsidiaries AGT Co., Ltd., H.I.S. INTERNATIONAL TOURS KOREA INC., H.I.S. (SHANGHAI) INTERNATIONAL TRAVEL SERVICE CO., LTD., MIKI TRAVEL CO., LTD., and H.I.S. Energy Holdings Co., Ltd. were removed from the scope of consolidation as a result of the completion of liquidation proceedings.

(2) Non-consolidated subsidiaries

The Company has 39 non-consolidated subsidiaries. The principal non-consolidated subsidiary is listed below.

• H.I.S. Travel Limited

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

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

2. Application of equity method

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

The Company applies the equity method to one associate. The name of the equity-method affiliate is listed in “3. Description of Business” under “I. Overview of the Company, Part I Information on the Company.”

In the consolidated fiscal year ended October 31, 2023, LY-HIS TRAVEL Co., Ltd., previously an equity-method affiliate of the Company, was removed from the scope of application of the equity method as a result of the completion of liquidation proceedings.

Activity Japan Co., Ltd., previously an equity-method affiliate of the Company, was removed from the scope of application of the equity method following the sale of shares in the company.

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

The profit/loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. of the 39 non-consolidated subsidiaries and the 15 associates not accounted for by the equity method are of such a level that removing them from the scope of application of the equity method has only a negligible effect on the consolidated financial statements. Since they are not significant as a whole, they are excluded from the scope of application of the equity method. The principal subsidiary in this category is listed below.

[Subsidiary]

• H.I.S. Travel Limited

3. Fiscal years, etc. of consolidated subsidiaries

Overseas consolidated subsidiaries have fiscal years ending on July 31.

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

The following consolidated subsidiaries have fiscal years ending on September 30: (1) Overseas: Green World Hotels Co., Ltd., HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI, DORAK HIS OTELCILIK VE TIC.A.S.; (2) Domestic: Orion Tour Co., Ltd., Travel Marche Co., Ltd., O.T.B. Co., Ltd., Japan Holiday Travel Co., Ltd., H.I.S. Okinawa Co., Ltd., Laguna Ten Bosch Co., Ltd., H.I.S. Hotel Holdings Co., Ltd., Aquaignis Taki Hotel Asset Co., Ltd., Vison Hotel Management Co., Ltd., KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., Kyushu Sanko Bus Co., Ltd., Kyushu Sanko Tourism Co., Ltd., Kyushu Sanko Landmark Co., Ltd., Kumamoto Ferry Co., Ltd., Sanko Bus Co., Ltd., Kyushu Sanko Auto Service Co., Ltd., Kyushu Sanko Retail Co., Ltd., KASSE JAPAN Co., Ltd., Kyushu BM Service Co., Ltd., Kyushu Sanko Planning Co., Ltd., Kyushu Sanko Card Co., Ltd., H.S. Insurance Co., Ltd., Cross E Holdings Co., Ltd., Huis Ten Bosch Technical Center Co., Ltd., Nishinihon Engineering Co., Ltd., hapi-robo st, Inc., H.I.S. Mobile Co., Ltd.

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

4. Accounting policies

(1) Valuation standard and method for significant assets

1) Securities

Held-to-maturity securities

Stated at amortized cost.

Available-for-sale securities

Securities other than shares, etc. without a determinable market value

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

Shares, etc. without a determinable market value

Generally stated at cost using the moving average method.

2) Derivatives

Stated at fair market value.

(2) Depreciation and amortization method for significant assets

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

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

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

Buildings	2–50 years
Tools, furniture and fixtures	2–33 years

2) Intangible assets (excluding leased assets)

The straight-line method is applied.

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

3) Leased assets

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

(3) Accounting standards for significant provisions

1) Allowance for doubtful accounts

To prepare for losses from uncollectible receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.

2) Provision for bonuses

To provide for bonus payments to employees, a provision for bonuses is recorded based on estimated future payments.

3) Provision for bonuses for directors (and other officers)

To provide for bonus payments to directors (and other officers), a provision for bonuses is recorded based on estimated future payments.

4) Provision for retirement benefits for directors (and other officers)

To prepare for retirement benefit payments to directors (and other officers), a provision for retirement benefits for directors (and other officers) is recorded in the amount based on the retirement benefit obligation at each fiscal year-end in accordance with the Internal Rules on Retirement Benefits for Directors (and Other Officers).

(4) Accounting treatment method for retirement benefits

1) Method for period attribution of retirement benefit estimates

In calculating the projected benefit obligation, the benefit formula standard is used as the basis for attributing projected retirement benefits to the period up to the year under review.

2) Treatment method for actuarial gains (losses) and prior service cost

Actuarial gains (losses) are mainly amortized collectively in the consolidated fiscal year following the year in which they were accrued.

Prior service cost is amortized on a straight-line basis over a specified number of years within the average remaining service period of employees when the liability is incurred.

(5) Accounting standard for recognition of significant revenues and expenses

The details of the main performance obligations in key businesses related to revenue arising from contracts with customers of the Company and its consolidated subsidiaries, and the normal timing of satisfying such performance obligations (normal timing of recognizing revenue) are as follows.

1) Own package tour products

There is an obligation to arrange and manage trips so that customers can receive transportation, accommodation, and other travel-related services provided by transportation and accommodation facilities, etc. in accordance with the itinerary set by the Company and its consolidated subsidiaries. Therefore, revenue is recognized over the duration of the trip.

2) Agents sales of arranged tours, etc.

There is an obligation to make arrangements by acting as an agent, intermediary, or facilitator on behalf of travelers so that they can receive transportation, accommodation, and other travel-related services provided by transportation and accommodation facilities, etc. Therefore, revenue is recognized based on the date of completion of such arrangements, and as an agent transaction, revenue is recognized as the net amount after deducting the amount payable to the suppliers from the amount received from customers.

(6) Standard for translation of foreign currency-denominated assets or liabilities into Japanese yen

Monetary claims and liabilities denominated in foreign currency are translated into yen at the spot exchange rate prevailing on the fiscal closing date, and the difference arising from such translation is recorded as profit or losses. The assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate prevailing on the fiscal closing date, and their revenues and expenses are translated into yen at the average exchange rate during the fiscal year, with the differences arising from such translation included in the foreign currency translation adjustment account and non-controlling interests under consolidated net assets.

(7) Significant hedge accounting methods

1) Hedge accounting methods

The Company in principle accounts for hedging transactions on a deferred basis. It applies the designated hedge accounting treatment (*furiate shori*) to forward exchange contracts and other items that qualify for designated hedge accounting, and the exceptional accounting treatment (*tokurei shori*) to interest rate swaps and other items that qualify for exceptional accounting.

2) Hedging instruments and hedged items

a. Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency-denominated accounts receivables, foreign currency-denominated trade accounts payable, foreign currency-denominated accounts receivable - other, foreign currency-denominated accounts payable - other

b. Hedging instruments: Interest rate swaps

Hedged items: Borrowings

3) Hedging policy

The Company hedges against foreign exchange fluctuation risk and interest rate fluctuation risk in accordance with its internal Financial Risk Management Regulations, etc.

4) Evaluation of hedge effectiveness

The effectiveness of hedging is assessed by comparing the cumulative total of the market fluctuations or the cash flow fluctuations for the hedged items with that of the market fluctuations or the cash flow fluctuations for the hedging instrument every six months, and analyzing the fluctuation amount, etc. for the two. However, the effectiveness of hedging is not evaluated for interest rate swaps subject to exceptional accounting treatment.

(8) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents consist of cash in hand, deposits drawable at any time, and any short-term investments that are readily convertible, are only exposed to negligible risk of change in value, and are redeemable in three months or less from each acquisition date.

(9) Other significant matters that serve as the basis for preparation of the consolidated financial statements

Goodwill amortization and amortization periods

Goodwill is amortized using the straight-line method over a reasonable number of years, not exceeding 20 years.

(Significant accounting estimates)

1. Impact of the COVID-19 pandemic

As business conditions gradually normalize in the post-COVID era, signs of a recovery in demand are becoming apparent across the businesses of the HIS Group.

In the Travel business and Hotel business, domestic travel demand recovered broadly in FY2023, while overseas travel demand is gradually heading toward a recovery.

Meanwhile, other businesses that are mainly operated in Japan are rebounding at a faster pace than the Travel business.

In light of the above, the Group expects its transaction volume in FY2024 to more or less revert to the FY2019 levels.

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

2. Recoverability of deferred tax assets

(1) Amount recorded in consolidated financial statements

(Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Deferred tax assets	6,949	7,602

(2) Other information related to estimates

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

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

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

In determining the recoverability of deferred tax assets as of October 31, 2023, the HIS Group has estimated future taxable income based on the future plans of the Group, which are predicated on the key assumption of a recovery in travel demand in the post-COVID era.

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

If actual market conditions, the recovery in travel demand, or other factors worsen beyond the estimates of the management of the HIS Group going forward, this may result in a reversal of deferred tax assets and have an impact on the financial position and management performance of the Group.

3. Impairment of non-current assets

(1) Amounts recorded in consolidated financial statements

(Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Property, plant and equipment	170,356	167,682
Intangible assets	17,908	16,565

(2) Other information related to estimates

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

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

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

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

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

In determining whether indications of impairment of non-current assets were present as of October 31, 2023, the HIS Group has estimated undiscounted future cash flows based on the future plans of the Group, which are predicated on the key assumption of a recovery in travel demand in the post-COVID era.

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

If actual market conditions, the recovery in travel demand, or other factors worsen beyond the estimates of the management of the HIS Group going forward, this may result in the booking of impairment losses and have an impact on the financial position and management performance of the Group.

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

(1) Amounts recorded in consolidated financial statements

(Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Shares of subsidiaries and associates	2,865	2,780
Investments in capital of subsidiaries and associates	77	73
Short-term loans receivable from subsidiaries and associates	205	275
Long-term loans receivable from subsidiaries and associates	504	205
Allowance for doubtful accounts related to the above	(154)	(17)

(2) Other information related to estimates

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

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

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

In valuing investments in and loans issued to subsidiaries and associates as of October 31, 2023, the HIS Group has valued the recoverability of its shareholdings and investments in, as well as its loans receivable issued to, subsidiaries and associates based on the future plans of such subsidiaries and associates, which are predicated on the key assumption of a recovery in travel demand in the post-COVID era.

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

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

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

(Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Goodwill	2,305	2,051
Intangible assets (other)	8,996	8,702

"Goodwill" and "intangible assets (other)" include goodwill and intangible assets recorded with the purchase of overseas subsidiaries affiliated with the Travel business segment. Intangible assets mainly comprise customer-related assets and trademark rights recorded based on transactional relationships with major customers of overseas subsidiaries.

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

(Changes in accounting policy)

(Application of Accounting Standard for Fair Value Measurement, etc.)

The HIS Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan; hereinafter the "Fair Value Measurement Standard Implementation Guidance") from the beginning of the consolidated fiscal year ended October 31, 2023. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Standard Implementation Guidance, the Group has decided to apply the new accounting policies prescribed in the Fair Value Measurement Standard Implementation Guidance in the future.

These changes have no impact on the consolidated financial statements.

(Accounting standards not yet applied)

・"Practical Solution on the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must be Indicated on Securities, etc." (ASBJ Practical Issues Task Force [PITF] No. 43, August 26, 2022)

(1) Overview

The practical solution establishes the accounting treatment and disclosure for the issuance and holding of "electronically recorded transferable rights that must be indicated on securities, etc." by a stock company, as prescribed in Article 1, Paragraph 4, Item 17 of the "Cabinet Office Order on Financial Instruments Business" (Cabinet Office Order No. 52 of 2007).

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending October 31, 2024.

(3) Impact of application of the aforementioned accounting standards

The HIS Group is currently evaluating the impact of the application of the "Practical Solution on the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must be Indicated on Securities, etc." on its consolidated financial statements.

・"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
・"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
・"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These accounting standards and guidance establish the treatment of the accounting classification for income taxes in the case of taxation on other comprehensive income, as well as the treatment of tax effects for the sale of shares of subsidiaries, etc., in the case of application of the group taxation regime.

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending October 31, 2025.

(3) Impact of application of the aforementioned accounting standards

The HIS Group is currently evaluating the impact of the application of the "Accounting Standard for Current Income Taxes" and other standards on its consolidated financial statements.

(Changes in presentation)

(Consolidated statement of income)

"Dividend income," which was included in "Other" under "Non-operating income" in the previous fiscal year is reported as an independent item from the fiscal year ended October 31, 2023 (361 million yen) due to its increased monetary significance. In the previous fiscal year, the HIS Group recorded 247 million yen in "Dividend income."

(Consolidated balance sheet)

*1. Balances of receivables, contract assets, and contract liabilities arising from contracts with customers

Receivables and contract assets arising from contracts with customers are mainly included in “Notes and accounts receivable - trade, and contract assets.” Contract liabilities are mainly included in “Travel advances received,” “Other” under current liabilities, and “Other” under non-current liabilities. The amounts of receivables, contract assets, and contract liabilities arising from contracts with customers are described in “Revenue recognition” in the “Notes to Consolidated Financial Statements” in “(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc.” under “V. Financial Information.”

*2. Assets and liabilities recognized as financial transactions

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

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Buildings	7,754	7,591
Land	24,445	24,445
Long-term borrowings	32,404	32,404

*3. Pledged assets

Assets pledged as collateral are shown below.

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Cash and deposits	1,171	578
Buildings	20,572	21,173
Tools, furniture and fixtures	—	24
Land	20,621	20,621
Property, plant and equipment (other)	0	0
Guarantee deposits	43	—

Secured liabilities are shown below.

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Short-term borrowings	2,462	2,654
Current portion of long-term borrowings	1,245	2,888
Accounts payable - other	306	299
Long-term borrowings	21,930	20,084

The Company pledged cash and deposits of 548 million yen as collateral for bank guarantees in the consolidated fiscal year ended October 31, 2022. In the consolidated fiscal year ended October 31, 2023, it pledged cash and deposits of 521 million yen and guarantee deposits of 47 million yen as collateral for bank guarantees.

4. Guarantee obligations

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

Year ended October 31, 2022 (As of October 31, 2022)		Year ended October 31, 2023 (As of October 31, 2023)	
FLY HUB TRAVEL PTE. LTD.	7,000 thousand SGD (735 million yen)	FLY HUB TRAVEL PTE. LTD.	7,000 thousand SGD (767 million yen)

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

Year ended October 31, 2022 (As of October 31, 2022)		Year ended October 31, 2023 (As of October 31, 2023)	
・Guarantee with specified amount		・Guarantee with specified amount	
H.I.S. SUPER Power Co., Ltd.	720 million yen	FLY HUB TRAVEL PTE. LTD.	200 thousand USD (28 million yen)
FLY HUB TRAVEL PTE. LTD.	200 thousand USD (26 million yen)		
・Guarantee without specified amount		・Guarantee without specified amount	
LY-HIS TRAVEL Co., Ltd.	Payment guarantee for trade payables	FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables
FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables	HAWAII SQUARE LLC	Payment guarantee for referral fees, etc.
H.I.S. SUPER Power Co., Ltd.	Payment guarantee for foreign exchange futures transactions, etc.		

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

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Land	4,513	4,513
Deferred tax liabilities	1,678	1,678

*6. Committed credit line agreements

The Company concluded commitment credit line agreements with three banks to ensure efficient and stable procurement of working capital. Consolidated subsidiaries KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., Japan Holiday Travel Co., Ltd., Green World Hotels Co., Ltd., H.I.S. - MERIT TRAVEL INC., and H.I.S. - RED LABEL VACATIONS INC. have concluded overdraft agreements with 14 banks to ensure efficient procurement of working capital. Unexecuted borrowings, etc. based on such overdraft and committed credit line agreements are shown below.

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Maximum overdraft and committed credit line limits (total)	45,261	44,369
Outstanding borrowings	7,546	7,157
Difference	37,714	37,211

*7. Financial covenants

Syndicated loans

1) Must maintain the net asset value on the consolidated balance sheet reported on the final day of each fiscal year at 75% or more of the net asset value on the consolidated balance sheet reported on the final day of the previous fiscal year.

2) May not record ordinary losses on the consolidated statement of income reported on the final day of each fiscal year for two consecutive years.

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

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Long-term borrowings	34,500	32,128

*8. Notable covenants attached to other obligations

(1) Unsecured bonds

Ensure the following two scenarios do not apply.

1) For bonds other than unsecured bonds, forfeiture of the benefit of time, or inability to repay such bonds when they are due.

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

The balance of the applicable unsecured bonds is shown below.

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Bonds payable (including current portion)	20,000	20,000

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

Ensure the following scenario does not apply.

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

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

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Convertible bond-type bonds with share acquisition rights	25,036	25,018

*9. Reduction entries

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

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Buildings	124	124
Tools, furniture and fixtures	15	16
Property, plant and equipment (other)	599	608
Intangible assets (other)	1	6
Total	740	756

(Consolidated statement of income)

*1. Revenue from contracts with customers

For net sales, revenue generated from contracts with customers and other revenue are not presented separately. Revenue from contracts with customers is described in "Revenue recognition" in the "Notes to Consolidated Financial Statements" in "(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc." under "V. Financial Information."

*2. Selling, general and administrative expenses

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

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Payroll and allowances	26,404	32,085
Provision for bonuses	1,346	3,462
Provision for bonuses for directors (and other officers)	51	83
Retirement benefit expenses	718	521
Provision for retirement benefits for directors (and other officers)	51	41
Depreciation and amortization	9,009	8,295
Provision of allowance for doubtful accounts	675	(425)

*3 Subsidy income

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

*4. Gain on reversal of impairment losses

For consolidated subsidiary GROUP MIKI HOLDINGS LIMITED, the HIS Group conducted a valuation of certain non-current assets and other items for which impairment losses had been recognized in the past. Because the value in use exceeded the book value, the Group recognized a gain on the reversal of impairment losses in the consolidated fiscal year ended October 31, 2023.

*5. Impairment loss

I. Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

In the consolidated fiscal year ended October 31, 2022, the HIS Group mainly recorded impairment losses on the following assets.

Location	Usage	Item	Impairment loss (millions of yen)
H.I.S. Co., Ltd. (Tokyo, other)	Business assets	Building, other	113
KASSE JAPAN Co., Ltd. (Kumamoto Prefecture, other)	Business assets	Building, other	683
GROUP MIKI HOLDINGS LIMITED (London, England, other)	Business assets	Intangible assets (other), other	413
Green World Hotels Co., Ltd. (Taipei, Taiwan)	Business assets	Building, other	174
Huis Ten Bosch Co., Ltd. (Nagasaki Prefecture)	Non-business assets	Property, plant and equipment (other)	790
H.I.S. - MERIT TRAVEL INC. (Vancouver, Canada)	—	Goodwill	931
GROUP MIKI HOLDINGS LIMITED (London, England, other)	—	Goodwill	408
H.S. Insurance Co., Ltd. (Tokyo)	—	Goodwill	377

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

For asset groups of branches designated to be closed, the Company has reduced the book value to the recoverable amount, and recorded impairment losses for these write-downs as an extraordinary loss. Because it does not anticipate future cash flows, it has valued the recoverable value at zero.

Kyushu Sanko Group companies (mainly KASSE JAPAN Co., Ltd.), which are consolidated subsidiaries of the Company, have reduced the book value of their assets whose profitability has declined, such as restaurants, maintenance factories, terminal facilities, and tourism exchange base facilities, to the recoverable amount, and recorded an impairment loss for these write-downs as an extraordinary loss. Impairment losses for the loss associated with the demolition of an employee dormitory have also been recorded as an extraordinary loss. As it does not anticipate future cash flows, it has valued the recoverable value at zero.

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

Consolidated subsidiary Green World Hotels Co., Ltd. has seen its earnings sharply deteriorate due to the COVID-19 pandemic, and no longer expects to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it has reduced the book value of its buildings and other non-current assets to their recoverable amounts, and recorded an impairment loss for these write-downs as an extraordinary loss. The recoverable value was determined based on the value in use derived from future occupancy rates and average daily rates.

Former consolidated subsidiary Huis Ten Bosch Co., Ltd. has reduced the book value of its non-business assets to the net realizable value in accordance with the decision to sell, and recorded an impairment loss for these write-downs as an extraordinary loss.

When consolidated subsidiaries H.I.S. - MERIT TRAVEL INC. and H.S. Insurance Co., Ltd. were acquired, goodwill was recorded based on the assumption of excess earning power. However, due to the prolonged impact of the COVID-19 pandemic and other factors, business performance has fallen short of the initial plan. Based on a review of the business plan, the subsidiaries are no longer expected to generate excess earnings, so the book value of the corresponding goodwill has been reduced to the recoverable amount, and impairment losses have been recorded for these write-downs as extraordinary losses. The recoverable value was determined based on the value in use.

The discount rate used to measure the value in use above was 5.4%–17%.

II. Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

In the consolidated fiscal year ended October 31, 2023, the HIS Group mainly recorded impairment losses on the following assets.

Location	Usage	Item	Impairment loss (millions of yen)
GUAM REEF HOTEL, INC. (Guam, Territory of U.S.A.)	Business assets	Building, other	1,968
H.I.S. Hotel Holdings Co., Ltd. (Tokyo, other)	Business assets	Building, other	231
H.I.S. - MERIT TRAVEL INC. (Vancouver, Canada)	Business assets	Intangible assets (other)	55
H.I.S. - MERIT TRAVEL INC. (Vancouver, Canada)	—	Goodwill	590

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

Consolidated subsidiary GUAM REEF HOTEL, INC. no longer expects to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it has reduced the book value of its buildings and other non-current assets to their recoverable amounts, and recorded an impairment loss for these write-downs as an extraordinary loss. The recoverable amounts are measured based on net realizable value, which are estimated from expected selling prices.

Consolidated subsidiary H.I.S. Hotel Holdings Co., Ltd. no longer expects to achieve the previously anticipated revenue levels for its business assets, resulting in reduced potential for investment recovery. Accordingly, it has reduced the book value of its buildings and other non-current assets to their recoverable amounts, and recorded an impairment loss for these write-downs as an extraordinary loss. As it does not anticipate future cash flows, it has valued the recoverable value at zero.

Consolidated subsidiary H.I.S. - MERIT TRAVEL INC. no longer expects to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it has reduced the book value of goodwill, intangible assets, and other assets to their recoverable amounts, and recorded an impairment loss for these write-downs as an extraordinary loss. The recoverable value was determined based on the value in use. The discount rate used to measure the value in use was 17.5%.

*6. Loss on valuation of other investments

The Company recognized a loss expected to be incurred on the sale or disposal of owned artworks.

*7. Loss on sale of other investments

This represents the loss incurred from the sale of artworks owned by the Company.

(Consolidated statement of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Valuation difference on available-for-sale securities:		
Amount arising during the year	(349)	(231)
Reclassification adjustments	(346)	(8)
Before tax effect adjustment	(695)	(240)
Tax effect amount	213	73
Valuation difference on available-for-sale securities	(482)	(166)
Deferred gains or losses on hedges:		
Amount arising during the year	2	21
Reclassification adjustments	—	—
Before tax effect adjustment	2	21
Tax effect amount	(0)	0
Deferred gains or losses on hedges	1	21
Foreign currency translation adjustment:		
Amount arising during the year	9,066	1,910
Reclassification adjustments	—	8
Before tax effect adjustment	9,066	1,919
Tax effect amount	—	—
Foreign currency translation adjustment	9,066	1,919
Remeasurements of defined benefit plans:		
Amount arising during the year	176	162
Reclassification adjustments	(154)	(175)
Before tax effect adjustment	22	(13)
Tax effect amount	(20)	22
Remeasurements of defined benefit plans	1	8
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the fiscal year	44	(0)
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	44	(0)
Total other comprehensive income	8,631	1,782

(Consolidated statement of changes in equity)

Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

1. Type and number of issued shares and treasury shares

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock (Note) 1	75,969,236	3,891,700	—	79,860,936
Total	75,969,236	3,891,700	—	79,860,936
Treasury shares				
Common stock (Notes) 2, 3	5,922,098	110	12,988	5,909,220
Total	5,922,098	110	12,988	5,909,220

(Notes) 1. The increase of 3,891,700 issued shares (common stock) reflects an increase from the issuance of new shares through a third-party allotment.

2. The increase of 110 treasury shares (common stock) reflects an increase from the purchase of shares less than one unit.

3. The decrease of 12,988 treasury shares (common stock) reflects a decrease from the disposal of treasury shares as restricted stock compensation.

2. Share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights				Balance at end of period (millions of yen)
			At beginning of period	Increase during period	Decrease during period	At end of period	
Filing company (parent company)	Fourth series of share acquisition rights	Common stock	1,500,000	—	—	1,500,000	21
	Fifth series of share acquisition rights	Common stock	—	1,721,400	—	1,721,400	56
	Sixth series of share acquisition rights	Common stock	—	1,828,000	—	1,828,000	54
	Seventh series of share acquisition rights	Common stock	—	2,325,200	—	2,325,200	55
	Share acquisition rights as stock options	Common stock	—	—	—	—	212
Total		—	1,500,000	5,874,600	—	7,374,600	399

3. Dividends

(1) Dividends paid

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

(2) Dividends whose record date falls in the consolidated fiscal year ended October 31, 2022 and whose effective date falls in the next consolidated fiscal year

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

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

1. Type and number of issued shares and treasury shares

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock	79,860,936	—	—	79,860,936
Total	79,860,936	—	—	79,860,936
Treasury shares				
Common stock (Notes 1, 2)	5,909,220	30	760,385	5,148,865
Total	5,909,220	30	760,385	5,148,865

(Notes) 1. The increase of 30 treasury shares (common stock) reflects an increase from the purchase of shares less than one unit.

2. The decrease of 760,385 treasury shares (common stock) reflects a decrease of 10,385 shares from the disposal of treasury shares as restricted stock compensation and a decrease of 750,000 shares from the disposal of treasury shares due to the exercise of stock acquisition rights.

2. Share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights				Balance at end of period (millions of yen)
			At beginning of period	Increase during period	Decrease during period	At end of period	
Filing company (parent company)	Fourth series of share acquisition rights	Common stock	1,500,000	—	1,500,000	—	—
	Fifth series of share acquisition rights	Common stock	1,721,400	—	—	1,721,400	56
	Sixth series of share acquisition rights	Common stock	1,828,000	—	—	1,828,000	54
	Seventh series of share acquisition rights	Common stock	2,325,200	—	—	2,325,200	55
	Share acquisition rights as stock options	Common stock	—	—	—	—	—
Total		—	7,374,600	—	1,500,000	5,874,600	165

3. Dividends

(1) Dividends paid

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

(2) Dividends whose record date falls in the consolidated fiscal year ended October 31, 2023 and whose effective date falls in the next consolidated fiscal year

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

(Consolidated statement of cash flows)

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

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Cash and deposits account	144,795	157,571
Time deposits with maturities of more than three months	(7,856)	(46,734)
Cash and cash equivalents	136,939	110,836

*2. Major breakdown of assets and liabilities of newly consolidated subsidiaries resulting from the acquisition of shares

Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

There are no applicable matters to report.

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

SCI Stenberg College International Inc. was newly consolidated through a share acquisition. The breakdown of assets and liabilities at the start of the consolidation, and the relationship between the share acquisition price for the company and the related expenditure (net) are as follows.

	(Millions of yen)
Current assets	720
Non-current assets	1,321
Goodwill	782
Current liabilities	(648)
Non-current liabilities	(312)
Share acquisition price	1,863
Cash and cash equivalents at the subsidiary	(90)
Difference: Expenditure on acquisition of shares in subsidiary	1,772

*3. Major breakdown of assets and liabilities of former consolidated subsidiaries resulting from the sale of shares

Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

Huis Ten Bosch Co., Ltd. and its two subsidiaries ceased to be consolidated subsidiaries following the transfer of shares. The breakdown of assets and liabilities at the time of the transfer, and the transfer price and proceeds from the transfer of the shares of the subsidiaries concerned, are shown below.

	(Millions of yen)
Current assets	12,763
Non-current assets	16,141
Current liabilities	(7,218)
Non-current liabilities	(11,667)
Non-controlling interests	(12,631)
Adjustments due to purchases of treasury shares, etc.	28,428
Gain on sale of shares of subsidiaries and associates	40,842
Share transfer price	66,660
Cash and cash equivalents at the subsidiaries	(26,812)
Difference: Proceeds from sale of shares of subsidiaries	39,847

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

There are no applicable matters to report.

(Lease transactions)

1. Finance leases

(Lessee)

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

1) Leased asset details

(a) Property, plant and equipment

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

(b) Intangible assets

Software

2) Depreciation method for leased assets

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

2. Operating leases

(Lessee)

Future lease payables related to non-cancelable operating leases

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Due within one year	3,088	3,102
Due after one year	41,017	40,571
Total	44,106	43,674

(Lessor)

Future lease receivables related to non-cancelable operating leases

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Due within one year	393	393
Due after one year	2,615	2,300
Total	3,008	2,694

(Financial instruments)

1. Conditions of financial instruments

(1) Policy for handling financial instruments

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

(2) Type and risk of financial instruments

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

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

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

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

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

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

Derivatives transactions include forward exchange contracts, etc. aimed at mitigating the risk of foreign exchange fluctuations and transactions to avoid the risk of fluctuations in interest rates paid on loans. For details on hedging instruments, hedged items, hedging policy, and the method for evaluating hedging effectiveness concerning hedge accounting, please refer to the aforementioned "(7) Accounting method for significant hedging transactions" section in "4. Accounting policies" under "Significant matters that serve as the basis for preparation of the consolidated financial statements."

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

The fair value calculation of financial instruments reflects variable factors, and is therefore subject to change depending on different assumptions used. In addition, the derivatives contract amounts in the "Derivatives transactions" section are not necessarily indicative of the actual market risk associated with derivatives transactions.

2. Fair value of financial instruments, etc.

The amounts recorded on the balance sheet, fair values, and the differences between them are shown below.

Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

(Millions of yen)

	Amounts recorded on balance sheet	Fair value	Difference
(1) Marketable securities and investment securities (*2)	700	700	(0)
Held-to-maturity securities	220	219	(0)
Available-for-sale securities	480	480	—
(2) Long-term loans receivable	11	11	(0)
(3) Long-term loans receivable from subsidiaries and associates (*3)	399	398	(0)
(4) Guarantee deposits (*3)	20,710	20,495	(215)
Assets total	21,822	21,605	(216)
(5) Bonds payable	20,000	20,053	53
(6) Convertible bond-type bonds with share acquisition rights	25,036	24,989	(47)
(7) Long-term borrowings (including current portion)	188,884	188,041	(842)
(8) Lease obligations (including current portion)	14,281	14,208	(73)
Liabilities total	248,203	247,292	(910)
Derivatives transactions (*4)	2	2	—

(*1) Cash and deposits, notes and accounts receivable - trade, and contract assets, trade accounts receivable, short-term loans receivable, short-term loans receivable from subsidiaries and associates, accounts receivable - other, trade accounts payable, short-term borrowings, accounts payable - other, income taxes payable, and accrued consumption taxes are cash, and are settled or repaid over the short term, so this information is omitted because the fair value approximates the book value.

(*2) Shares, etc. without a determinable market value are not included in "(1) Marketable securities and investment securities." The amounts of the relevant financial instruments recorded on the consolidated balance sheet are as follows.

(Millions of yen)

Classification	Year ended October 31, 2022 (As of October 31, 2022)
Marketable securities and investment securities (unlisted stocks, etc.)	2,502
Shares of subsidiaries and associates (unlisted stocks, etc.)	2,865
Investments in capital of subsidiaries and associates	77

(*3) Corresponding allowances for doubtful accounts are deducted from "long-term loans receivable from subsidiaries and associates" and "guarantee deposits."

(*4) Net receivables and payables accrued from derivatives transactions are presented on a net basis, and net payables are shown in brackets.

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	Amounts recorded on balance sheet	Fair value	Difference
(1) Marketable securities and investment securities (*2)	276	276	(0)
Held-to-maturity securities	20	19	(0)
Available-for-sale securities	256	256	—
(2) Long-term loans receivable (*3)	58	60	1
(3) Long-term loans receivable from subsidiaries and associates (*3)	194	194	(0)
(4) Guarantee deposits	20,789	20,366	(422)
Assets total	21,318	20,897	(420)
(5) Bonds payable (including current portion)	20,000	19,996	(3)
(6) Convertible bond-type bonds with share acquisition rights	25,018	24,983	(34)
(7) Long-term borrowings (including current portion)	155,531	154,162	(1,368)
(8) Lease obligations (including current portion)	14,275	14,185	(90)
Liabilities total	214,825	213,327	(1,497)
Derivatives transactions (*4)	23	23	—

(*1) Cash and deposits, notes and accounts receivable - trade, and contract assets, trade accounts receivable, short-term loans receivable, short-term loans receivable from subsidiaries and associates, accounts receivable - other, trade accounts payable, short-term borrowings, accounts payable - other, income taxes payable, and accrued consumption taxes are cash, and are settled or repaid over the short term, so this information is omitted because the fair value approximates the book value.

(*2) Shares, etc. without a determinable market value are not included in "(1) Marketable securities and investment securities." The amounts of the relevant financial instruments recorded on the consolidated balance sheet are as follows.

(Millions of yen)

Classification	Year ended October 31, 2023 (As of October 31, 2023)
Marketable securities and investment securities (unlisted stocks, etc.)	3,126
Shares of subsidiaries and associates (unlisted stocks, etc.)	2,780
Investments in capital of subsidiaries and associates	73

(*3) Corresponding allowances for doubtful accounts are deducted from "long-term loans receivable" and "long-term loans receivable from subsidiaries and associates."

(*4) Net receivables and payables accrued from derivatives transactions are presented on a net basis, and net payables are shown in brackets.

(Note) 1. Redemption schedule for monetary claims and securities with maturity after the consolidated closing date

Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

(Millions of yen)

	1 year or less	1–5 years	5–10 years	Over 10 years
Cash and deposits	144,795	–	–	–
Notes and accounts receivable - trade, and contract assets	11,538	–	–	–
Trade accounts receivable	298	–	–	–
Marketable securities and investment securities				
Held-to-maturity securities				
(1) Bonds	200	20	–	–
Available-for-sale securities with maturities				
(1) Bonds	–	–	–	–
Short-term loans receivable	133	–	–	–
Short-term loans receivable from subsidiaries and associates	205	–	–	–
Accounts receivable - other	20,001	–	–	–
Long-term loans receivable	–	11	–	–
Long-term loans receivable from subsidiaries and associates	–	504	–	–

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	1 year or less	1–5 years	5–10 years	Over 10 years
Cash and deposits	157,571	–	–	–
Notes and accounts receivable - trade, and contract assets	24,814	–	–	–
Trade accounts receivable	656	–	–	–
Marketable securities and investment securities				
Held-to-maturity securities				
(1) Bonds	10	10	–	–
Available-for-sale securities with maturities				
(1) Bonds	–	50	–	–
Short-term loans receivable	45	–	–	–
Short-term loans receivable from subsidiaries and associates	275	–	–	–
Accounts receivable - other	19,575	–	–	–
Long-term loans receivable	–	201	–	–
Long-term loans receivable from subsidiaries and associates	–	205	–	–

(Note) 2. Repayment schedule for bonds payable, long-term borrowings, and lease obligations after the consolidated closing date

Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

(Millions of yen)

	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Short-term borrowings	28,555	—	—	—	—	—
Bonds payable	—	15,000	—	—	5,000	—
Convertible bond-type bonds with share acquisition rights	—	—	25,000	—	—	—
Long-term borrowings (including current portion)	32,156	32,306	2,223	43,308	5,417	73,472
Lease obligations (including current portion)	2,646	2,296	1,836	1,552	1,393	4,557
Total	63,358	49,602	29,060	44,860	11,810	78,029

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Short-term borrowings	51,326	—	—	—	—	—
Bonds payable	15,000	—	—	5,000	—	—
Convertible bond-type bonds with share acquisition rights	—	25,000	—	—	—	—
Long-term borrowings (including current portion)	32,128	2,380	41,993	5,325	24,138	49,565
Lease obligations (including current portion)	3,111	2,412	1,910	1,620	1,349	3,870
Total	101,566	29,793	43,904	11,946	25,487	53,436

3. Matters related to the breakdown, etc. of fair values of financial instruments by level

Fair values of financial instruments are categorized into three levels as described below on the basis of the observability and the materiality of the valuation inputs used in fair value measurements.

Level 1: Fair values calculated using, among the observable inputs for the calculation of fair value, the quoted prices in active markets for the assets or liabilities subject to fair value calculation

Level 2: Fair values calculated using, among the observable inputs for the calculation of fair value, the inputs for fair value calculation other than Level 1 inputs

Level 3: Fair values calculated using unobservable inputs for the calculation of fair values

If multiple inputs are used that have a significant impact on the fair value calculation, the fair value is categorized under the level with the lowest priority in the fair value calculation among the levels to which each such input belongs.

(1) Financial instruments recorded at fair value on the consolidated balance sheet

Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stocks	62	—	—	62
Other	—	418	—	418
Derivatives transactions				
Currency-related transactions	—	2	—	2
Assets total	62	420	—	483

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stocks	13	—	—	13
Other	—	2	240	243
Derivatives transactions				
Currency-related transactions	—	23	—	23
Assets total	13	25	240	280

(2) Financial instruments not recorded at fair value on the consolidated balance sheet

Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity securities				
Bonds	—	219	—	219
Long-term loans receivable	—	11	—	11
Long-term loans receivable from subsidiaries and associates	—	398	—	398
Guarantee deposits	—	20,495	—	20,495
Assets total	—	21,125	—	21,125
Bonds payable	—	20,053	—	20,053
Convertible bond-type bonds with share acquisition rights	—	24,989	—	24,989
Long-term borrowings (including current portion)	—	188,041	—	188,041
Lease obligations (including current portion)	—	14,208	—	14,208
Liabilities total	—	247,292	—	247,292

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity securities				
Bonds	—	19	—	19
Long-term loans receivable	—	60	—	60
Long-term loans receivable from subsidiaries and associates	—	194	—	194
Guarantee deposits	—	20,366	—	20,366
Assets total	—	20,641	—	20,641
Bonds payable (including current portion)	—	19,996	—	19,996
Convertible bond-type bonds with share acquisition rights	—	24,983	—	24,983
Long-term borrowings (including current portion)	—	154,162	—	154,162
Lease obligations (including current portion)	—	14,185	—	14,185
Liabilities total	—	213,327	—	213,327

(Note) 1. Valuation method used for the calculation of fair value, and information on inputs used to measure fair value

Marketable securities and investment securities

Stocks and bonds are valued based on prices quoted by exchanges, financial institutions, and other third parties. Listed shares are traded in active markets, so their fair value is classified as Level 1. However, bonds and other assets held by the Company are deemed not to have quoted prices in active markets due to their low trading frequency, so their fair value is classified as Level 2. Share acquisition rights for other non-listed shares, etc. are valued using unobservable inputs, so their fair value is classified as Level 3.

Derivative transactions

Derivative transactions are valued based on prices, etc. quoted by counterparty financial institutions and other third parties, so their fair value is classified as Level 2.

Interest rate swaps subject to special treatment are treated together with the long-term borrowings they hedge, and their fair value is included in the fair value of the relevant long-term borrowings.

Long-term loans receivable and long-term loans receivable from subsidiaries and associates

These items are valued based on their present value, which is calculated by discounting future cash flows at an interest rate equal to an appropriate index such as the yield of government bonds plus the credit spread, so their fair value is classified as Level 2.

Guarantee deposits

Guarantee deposits are valued based on their present value, which is calculated by discounting future cash flows at a risk-free rate based on a rationally estimated redemption date, so their fair value is classified as Level 2.

Bonds payable (including current portion)

Bonds issued by the Company are valued based on their present value, which is calculated by discounting the total amount of principal and interest at an interest rate that would be expected if a similar new issuance were to be made, so their fair value is classified as Level 2.

Convertible bond-type bonds with share acquisition rights

Convertible bond-type bonds with share acquisition rights issued by the Company are valued based on their present value, which is calculated by discounting the total amount of principal and interest at an interest rate that would be expected if a similar new issuance were to be made, so their fair value is classified as Level 2.

Long-term borrowings (including current portion)

Long-term borrowings are valued based on their present value, which is calculated by discounting the total amount of principal and interest at an interest rate that would be expected for similar new borrowings, so their fair value is classified as Level 2.

Some long-term borrowings are subject to the special treatment of interest rate swaps. These borrowings are valued based on their present value, which is calculated by discounting the total amount of principal and interest treated together with the relevant interest rate swaps, at an interest rate that would be expected for similar new borrowings, so their fair value is classified as Level 2.

Lease obligations (including current portion)

Lease obligations are valued based on their present value, which is calculated by discounting the total amount of principal and interest at an interest rate that would be expected for similar lease transactions, so their fair value is classified as Level 2.

(Note) 2. Information on Level 3 financial assets and financial liabilities carried at fair value on the consolidated balance sheet

Notes have been omitted as the items are not significant.

(Marketable securities)
1. Held-to-maturity securities
Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

(Millions of yen)

	Type	Amounts recorded on balance sheet	Market value	Difference
Market value above balance sheet amount	(1) Bonds	10	10	0
	(2) Other	—	—	—
	Subtotal	10	10	0
Market value at or below balance sheet amount	(1) Bonds	210	209	(0)
	(2) Other	—	—	—
	Subtotal	210	209	(0)
Total		220	219	(0)

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	Type	Amounts recorded on balance sheet	Market value	Difference
Market value above balance sheet amount	(1) Bonds	10	10	0
	(2) Other	—	—	—
	Subtotal	10	10	0
Market value at or below balance sheet amount	(1) Bonds	10	9	(0)
	(2) Other	—	—	—
	Subtotal	10	9	(0)
Total		20	19	(0)

2. Available-for-sale securities
Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

(Millions of yen)

	Type	Amounts recorded on balance sheet	Acquisition cost	Difference
Balance sheet amount above acquisition price	(1) Stocks	48	46	1
	(2) Bonds	149	122	26
	(3) Other	264	25	238
	Subtotal	462	195	267
Balance sheet amount at or below acquisition price	(1) Stocks	14	15	(0)
	(2) Bonds	—	—	—
	(3) Other	4	5	(0)
	Subtotal	18	20	(1)
Total		480	215	265

(Note) Unlisted stocks (2,502 million yen recorded on the consolidated balance sheet) are not included in "Available-for-sale securities" in the table above as they are classified as shares, etc. without a determinable market value.

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	Type	Amounts recorded on balance sheet	Acquisition cost	Difference
Balance sheet amount above acquisition price	(1) Stocks	—	—	—
	(2) Bonds	2	1	0
	(3) Other	—	—	—
	Subtotal	2	1	0
Balance sheet amount at or below acquisition price	(1) Stocks	13	13	(0)
	(2) Bonds	50	50	—
	(3) Other	190	200	(9)
	Subtotal	254	263	(9)
Total		256	265	(9)

(Note) Unlisted stocks (3,126 million yen recorded on the consolidated balance sheet) are not included in "Available-for-sale securities" in the table above as they are classified as shares, etc. without a determinable market value.

3. Available-for-sale securities sold

Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

(Millions of yen)

Type	Proceeds from sale	Gains on sale	Losses on sale
(1) Stocks	230	104	—
(2) Bonds	—	—	—
(3) Other	4,291	1,342	—
Total	4,522	1,446	—

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

Type	Proceeds from sale	Gains on sale	Losses on sale
(1) Stocks	126	7	0
(2) Bonds	141	—	—
(3) Other	25	4	0
Total	293	12	0

4. Securities for which impairment losses were recognized

In the consolidated fiscal year ended October 31, 2022, an impairment loss of 74 million yen was recognized for marketable securities.

In the consolidated fiscal year ended October 31, 2023, an impairment loss of 323 million yen was recognized for marketable securities.

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

(Derivatives transactions)

1. Derivatives transactions for which hedge accounting is not applied

Currency-related transactions

Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

There are no applicable matters to report.

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

There are no applicable matters to report.

2. Derivatives transactions for which hedge accounting is applied

Currency-related transaction

Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

(Millions of yen)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc.	Contract amount, etc. over one year	Fair value
Principle method	Forward exchange contracts				
	Bought				
	USD	Trade accounts payable	553	—	2
	EUR		9	—	0
Total			563	—	2

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc.	Contract amount, etc. over one year	Fair value
Principle method	Forward exchange contracts				
	Bought				
	USD	Trade accounts payable	454	—	(3)
	EUR		1	—	0
	GBP		4	—	0
	Sold				
	EUR	Accounts receivable - trade	885	497	27
Forward exchange contracts, etc. subject to designated hedge accounting (*furiate shori*)	Forward exchange contracts				
	Bought				
	USD	Trade accounts payable	272	—	(Note)
Total			1,617	497	23

(Note) Forward exchange contracts, etc. subject to designated hedge accounting (*furiate shori*) are treated together with hedged trade accounts payable, and their fair values are therefore included in those of the relevant trade accounts payable.

(Provision for employee retirement benefits)

1. Outline of adopted employee retirement benefit plans

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

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

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

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

2. Defined benefit plan

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

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Retirement benefit obligation at beginning of year	9,630	8,101
Service cost	952	763
Interest cost	35	46
Actuarial differences	(297)	(25)
Retirement benefits paid	(870)	(783)
Decline accompanying the transfer to defined contribution pension plans	(74)	(38)
Foreign currency translation gains (losses)	34	40
Decrease resulting from exclusion of subsidiaries from consolidation	(1,309)	–
Projected benefit obligation at end of year	8,101	8,103

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

The decrease resulting from exclusion of subsidiaries from consolidation is primarily attributable to the transfer of the shares of former consolidated subsidiary Huis Ten Bosch Co., Ltd.

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

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Pension assets at beginning of year	2,698	2,538
Expected return on plan assets	41	41
Actuarial differences	(118)	138
Amount of employer contribution	111	107
Retirement benefits paid	(194)	(144)
Pension assets at end of year	2,538	2,681

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

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Retirement benefit obligation for funded plans	2,013	1,997
Pension assets	(2,538)	(2,681)
	(524)	(683)
Retirement benefit obligation for unfunded plans	6,087	6,106
Net liability and asset recorded on consolidated balance sheet	5,563	5,422
Retirement benefit liability	6,234	6,223
Retirement benefit asset	(671)	(800)
Net liability and asset recorded on consolidated balance sheet	5,563	5,422

(4) Retirement benefit expenses and breakdown

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Service costs	952	763
Interest costs	35	46
Expected return on plan assets	(41)	(41)
Amortization of actuarial differences	(99)	(177)
Amortization of prior service costs	2	2
Retirement benefit expenses related to defined-benefit plans	849	593

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

(5) Adjustments related to retirement benefits

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

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Prior service costs	(2)	(2)
Actuarial differences	(19)	16
Total	(22)	13

(6) Cumulative adjustments related to retirement benefits

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

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Unrecognized prior service costs	7	4
Unrecognized actuarial differences	(221)	(204)
Total	(213)	(200)

(7) Items related to pension assets

1) Breakdown of principal pension assets

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

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Bonds	20%	19%
Stocks	29%	31%
Regular accounts	50%	48%
Other	1%	2%
Total	100%	100%

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

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

(8) Basis for calculating actuarial differences

Basis for calculating principal actuarial differences

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Discount rate	0.4%–1.0%	0.4%–1.3%
Long-term expected rate of return on plan assets	2.0%	2.0%

3. Defined contribution plan

The defined contribution of the Company and its consolidated subsidiaries was 185 million yen for the consolidated fiscal year ended October 31, 2022 and 182 million yen for the consolidated fiscal year ended October 31, 2023.

(Stock options)

1. Amount and account of expenses related to stock options

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Selling, general and administrative expenses	76	(212)

2. Description, scale, and changes of stock options

(1) Description of stock options

	Third Series of Stock Options (Note 1)	Consolidated subsidiary (Cross E Holdings Co., Ltd.) (Note 2)
Category and number of grantees	Company directors: 5 Company employees: 1,541 Subsidiary directors: 44 Subsidiary employees: 200	Directors of said company: 4 Employees of said company; Directors and employees of said company's subsidiaries: 55
Number of stock options by stock type	Common stock: 900,500	Common stock: 61,800
Grant date	March 23, 2020	November 1, 2022
Conditions for vesting	(1) Persons granted an allotment of the share acquisition rights (hereinafter, "Rights Holders") must be directors or employees of the Company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors in any of the following cases or based on other justifiable reasons: resignations of directors after their terms have expired, resignations in conjunction with an appointment as a director, mandatory retirement for employees, and transfers prompted by an administrative order. (2) In the event of the death of a Rights Holder, the rights may not be exercised by the corresponding heir. (3) Other conditions are as stipulated in the share acquisition rights allotment agreement concluded between the Company and the Rights Holder.	(1) Persons granted an allotment of the share acquisition rights (hereinafter, "Rights Holders") must be directors, corporate auditors, employees, or advisors of the company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors in any of the following cases or based on other justifiable reasons: resignations of directors and corporate auditors after their terms have expired, and mandatory retirement for employees. (2) Common shares of the company must be listed on a financial instruments exchange. (3) In the event of the death of a Rights Holder, the rights may not be exercised by the corresponding heir.
Requisite service period	Not specified	Not specified
Exercisable period	From April 1, 2023 to March 31, 2024	From November 1, 2022 to September 24, 2029

(Notes) 1. The stock acquisition rights for the third series of stock options have all been forfeited as the vesting conditions have not been satisfied.

2. Cross E Holdings Co., Ltd. was established as the wholly owning parent company of Huis Ten Bosch Technical Center Co., Ltd. through a share transfer on November 1, 2022. As a result, the share acquisition rights issued by Huis Ten Bosch Technical Center Co., Ltd. were extinguished on the same date, and the holders of the share acquisition rights were granted new share acquisition rights equal in number to the total number of share acquisition rights they held at the time of record.

(2) Scale of stock options and related changes

Changes in the scale of stock options that existed in the year ended October 31, 2023 are shown below. The number of stock options is presented as the number of underlying shares.

1) Number of stock options

	Third Series of Stock Options	Consolidated subsidiary (Cross E Holdings Co., Ltd.)
Non-vested (shares)		
As of October 31, 2022	900,500	—
Granted	—	—
Forfeited	900,500	—
Vested	—	—
Unvested	—	—
Vested (shares)		
As of October 31, 2022	—	61,800
Vested	—	—
Exercised	—	—
Forfeited	—	1,000
Unexercised	—	60,800

2) Price information

	Third Series of Stock Options	Consolidated subsidiary (Cross E Holdings Co., Ltd.)
Exercise price (yen)	1,387	1,450
Average share price at time of exercise (yen)	—	—
Fair value per share at grant date (yen)	291	—

3. Method for estimating fair value of stock options

Consolidated subsidiary (Cross E Holdings Co., Ltd.)

The fair value of the Cross E Holdings Co., Ltd. stock options is estimated as follows.

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

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

4. Method for estimating the number of stock options vested

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

(Tax effect accounting)

1. Principal components of deferred tax assets and deferred tax liabilities

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
(Deferred tax assets)		
Tax loss carryforwards (Note)	11,608	10,574
Retirement benefit liability	1,627	1,580
Provision for retirement benefits for directors (and other officers)	80	82
Depreciation	566	623
Non-deductible asset retirement obligation expenses	416	550
Long-term accounts payable - other	96	96
Excess allowance for doubtful accounts	2,086	1,734
Provision for bonuses	300	663
Accrued enterprise taxes	15	28
Unsettled gift certificates	471	425
Accrued social insurance premiums	40	92
Subsidy income	58	-
Impairment losses	138	44
Loss on valuation of shares of subsidiaries	2,543	2,792
Other	911	1,238
Deferred tax assets subtotal	20,960	20,528
Valuation allowance pertaining to tax loss carryforwards (Note)	(7,230)	(6,052)
Valuation allowance pertaining to total future deductible temporary differences	(6,227)	(6,166)
Valuation allowance subtotal	(13,458)	(12,218)
Deferred tax assets total	7,502	8,309
(Deferred tax liabilities)		
Valuation difference on available-for-sale securities	(106)	(36)
Other	(445)	(671)
Deferred tax liabilities total	(552)	(707)
Deferred tax assets, net	6,949	7,602

(Deferred tax liabilities)		
Revaluation reserve for land	1,654	1,654
Unrealized losses on non-current assets	2,420	2,355
Other	1,167	876
Deferred tax liabilities total	5,242	4,886
(Deferred tax assets)		
Tax loss carryforwards (Note)	(7,026)	(6,676)
Retirement benefit liability	(167)	(143)
Provision for retirement benefits for directors (and other officers)	(12)	(11)
Loss on valuation of shares of subsidiaries	(829)	-
Other	(762)	(96)
Deferred tax assets subtotal	(8,798)	(6,927)
Valuation allowance pertaining to tax loss carryforwards (Note)	6,844	6,608
Valuation allowance pertaining to total future deductible temporary differences	1,676	151
Valuation allowance subtotal	8,520	6,759
Deferred tax assets total	(278)	(167)
Deferred tax liabilities, net	4,963	4,719

(Note) Tax loss carryforwards and related deferred tax assets by carryforward period

Consolidated fiscal year ended October 31, 2022 (as of October 31, 2022)

(Millions of yen)

	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Tax loss carryforwards (*1)	―	―	26	2	47	18,558	18,634
Valuation allowance	―	―	(26)	(1)	(47)	(13,998)	(14,074)
Deferred tax assets	―	―	0	0	―	4,559	(*2) 4,559

(*1) Tax loss carryforward figures are the amount multiplied by the effective statutory tax rate.

(*2) For the tax loss carryforward of 18,634 million yen (amount multiplied by effective statutory tax rate), deferred tax assets of 4,559 million yen were recorded. No valuation allowance was recognized for the portion of this tax loss carryforward that is determined to be recoverable on the basis of projected future taxable income.

Consolidated fiscal year ended October 31, 2023 (as of October 31, 2023)

(Millions of yen)

	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Tax loss carryforwards (*1)	―	16	1	46	0	17,186	17,251
Valuation allowance	―	(14)	(1)	(45)	0	(12,598)	(12,660)
Deferred tax assets	―	1	0	1	0	4,587	(*2) 4,590

(*1) Tax loss carryforward figures are the amount multiplied by the effective statutory tax rate.

(*2) For the tax loss carryforward of 17,251 million yen (amount multiplied by effective statutory tax rate), deferred tax assets of 4,590 million yen were recorded. No valuation allowance was recognized for the portion of this tax loss carryforward that is determined to be recoverable on the basis of projected future taxable income.

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

Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Notes have been omitted as the Company recorded a loss before income taxes.	Notes have been omitted as the Company recorded a loss before income taxes.

(Business combinations)

Business combination through acquisition

1. Overview of business combination

(1) Name of the acquired company and its business activities

Name of the acquired company	SCI Stenberg College International Inc.
Business activities	Vocational school

(2) Rationale for the business combination

Stenberg College International is a vocational school that focuses on training healthcare and welfare professionals, who have been in short supply in Canada since the start of the COVID-19 pandemic. The purpose of the business combination is to expand business operations by venturing into a new market in Canada.

(3) Date of business combination

March 31, 2023

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name of the company subsequent to the business combination

No change

(6) Percentage of voting rights acquired

51%

(7) Primary basis for determining the acquirer

Due to the acquisition of shares for cash consideration

2. Period of business results of the acquired company to be included in the consolidated financial statements

From April 1, 2023 to July 31, 2023

3. Breakdown of acquisition cost for the acquired company and each type of payment

Consideration for acquisition (cash)	1,863 million yen
Acquisition costs	1,863 million yen

4. Content and amount of main acquisition-related expenses

Advisory expenses, etc.	104 million yen

5. Amount of goodwill, reason for occurrence, and amortization method and period

(1) Amount of goodwill

782 million yen

(2) Reason for occurrence

The goodwill is mainly attributable to expected excess earnings power in the future.

(3) Amortization method and period

Amortized using the straight-line method over nine years

6. Amount of assets received and liabilities undertaken on the date of the business combination and their breakdown

Current assets	720 million yen
Non-current assets	1,321 million yen
Total assets	2,042 million yen
Current liabilities	648 million yen
Non-current liabilities	312 million yen
Total liabilities	961 million yen

7. Amount allocated to intangible assets other than goodwill, breakdown by major type, and weighted average amortization period for the total and major types

Breakdown by major type	Amount	Weighted average amortization period
Customer-related assets, etc.	1,122 million yen	4.8 years

8. Estimated amount and calculation method for hypothetical impact on consolidated statement of income for the fiscal year under review assuming business combination was completed on the first day of the fiscal year under review

The amount is not significant and has therefore been omitted.

(Asset retirement obligations)

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

(Rental and other properties)

The Company and some of its consolidated subsidiaries own rental office buildings, rental condominiums, and rental commercial facilities in Kumamoto Prefecture and other regions, from which they generate rental income. In the fiscal year ended October 31, 2022, revenue from rental properties amounted to 464 million yen (rental income was recorded under net sales on the consolidated statement of income, and primary rental expenses were recorded under selling, general and administrative expenses). In the fiscal year ended October 31, 2023, revenue from rental properties totaled 127 million yen (rental income was recorded under net sales on the consolidated statement of income, and primary rental expenses were recorded under selling, general and administrative expenses). The amounts recorded on the consolidated balance sheet, increase or decrease during the year, and fair value of the rental properties are as follows.

(Millions of yen)

		Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Amount on consolidated balance sheet			
	Balance at beginning of period	47,305	39,133
	Increase (decrease) during period	(8,172)	(701)
	Balance at end of period	39,133	38,432
Fair value at end of period		43,039	42,259

(Notes) 1. The amount on the consolidated balance sheet is calculated by deducting the accumulated depreciation from the acquisition cost.

2. Of the amount of increase (decrease) during the period, the decrease in the consolidated fiscal year ended October 31, 2022 was mainly attributable to the sale of real estate (6,758 million yen) and the impact from rental properties owned by Huis Ten Bosch Co., Ltd. (534 million yen), which was excluded from the scope of consolidation after the sale of all its shares. The decrease in the consolidated fiscal year ended October 31, 2023 was mainly due to depreciation.

3. Fair value at the end of the fiscal year is calculated by the Company based on real estate appraisal standards (including those adjusted using relevant indexes, etc.).

(Revenue recognition)

1. Information regarding disaggregated revenue from contracts with customers

The HIS Group has four reportable segments: the Travel business, the Theme Park business, the Hotel business, and the Kyushu Sanko Group. Revenue is disaggregated by region based on the location of the companies in the Group. The relationship between the disaggregated revenue and the revenue of each reportable segment (revenue from external customers) is shown below.

The information regarding disaggregated revenue from contracts with customers in the consolidated fiscal year ended October 31, 2022 is prepared based on the revised segment classification for the consolidated fiscal year ended October 31, 2023, as described in “1. Outline of reportable segments” in “Segment information” under “Segment information, etc.”

Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Travel business	Theme Park business	Hotel business	Kyushu Sanko Group	Reportable segment total		
Japan	49,556	19,750	4,423	14,534	88,265	27,039	115,305
Americas	11,384	–	1,150	–	12,534	–	12,534
Asia	1,028	–	2,296	–	3,325	–	3,325
Oceania	(45)	–	–	–	(45)	–	(45)
Europe, Middle East, Africa	5,405	–	81	–	5,486	–	5,486
Revenue from contracts with customers	67,328	19,750	7,951	14,534	109,565	27,039	136,605
Other revenue	–	893	980	3,413	5,288	901	6,189
Sales to external customers	67,328	20,644	8,931	17,948	114,853	27,940	142,794

(Note) “Other” refers to business segments such as energy, non-life insurance, and real estate businesses not included in the reportable segments.

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Travel business	Theme Park business	Hotel business	Kyushu Sanko Group	Reportable segment total		
Japan	161,480	2,949	9,749	18,156	192,336	5,728	198,064
Americas	18,093	–	2,189	–	20,282	–	20,282
Asia	5,897	–	4,214	–	10,112	–	10,112
Oceania	(719)	–	–	–	(719)	–	(719)
Europe, Middle East, Africa	16,142	–	405	–	16,547	–	16,547
Revenue from contracts with customers	200,894	2,949	16,558	18,156	238,559	5,728	244,288
Other revenue	–	393	1,003	3,507	4,904	2,673	7,578
Sales to external customers	200,894	3,343	17,562	21,664	243,464	8,402	251,866

(Note) “Other” refers to business segments such as non-life insurance and real estate businesses not included in the reportable segments.

2. Basic information to understand revenue from contracts with customers

This information is provided in “(5) Accounting standard for recognition of significant revenues and expenses” in “4. Accounting policies” under “Significant matters that serve as the basis for preparation of the consolidated financial statements.” In principle, the consideration for transactions is to be received before the performance obligation is satisfied. Even if the consideration is received after the performance obligation is satisfied, the contract normally does not include a significant financial component because the payment deadline arrives within a short period of time.

3. Information regarding the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers existing at the end of the fiscal year under review in the next consolidated fiscal year and beyond

(1) Balance of contract assets and liabilities, etc.

(Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Receivables from contracts with customers (balance at beginning of period)	11,308	11,413
Receivables from contracts with customers (balance at end of period)	11,413	24,606
Contract assets (balance at beginning of period)	10	125
Contract assets (balance at end of period)	125	207
Contract liabilities (balance at beginning of period)	16,074	30,369
Contract liabilities (balance at end of period)	30,369	49,247

Contract assets mainly relate to the rights of consolidated subsidiaries to revenue recognized as performance obligations are satisfied, in cases where consideration for construction transactions is received after performance obligations have been satisfied. Contract assets are transferred to receivables generated from contracts with customers when the consolidated subsidiary's right to consideration becomes unconditional. Contract liabilities mainly consist of advances received for travel products, etc. planned and arranged by the Company itself, travel gift certificates, and advances received for tuition fees at language schools. Contract liabilities are drawn upon in accordance with revenue recognition.

Of the amount of revenue recognized during the consolidated fiscal year ended October 31, 2022, the amount included in the contract liability balance as of the beginning of the fiscal year was 9,574 million yen.

Of the amount of revenue recognized during the consolidated fiscal year ended October 31, 2023, the amount included in the contract liability balance as of the beginning of the fiscal year was 24,452 million yen.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations on October 31, 2022 was 6,456 million yen. The performance obligations are mainly travel tickets, etc. used for package tour and other products. Approximately 7.5% is expected to be recognized as revenue within one year after the end of the fiscal year, about 11.6% after two but within five years, and the remaining 80.9% after six years or later. The Company and its consolidated subsidiaries apply the practical expedient to notes on transaction prices allocated to remaining performance obligations, and contracts with an initially expected contract period of one year or less are not included in the notes.

The total transaction price allocated to the remaining performance obligations on October 31, 2023 was 5,792 million yen. The performance obligations are mainly travel tickets, etc. used for package tour and other products. Approximately 8.2% is expected to be recognized as revenue within one year after the end of the fiscal year, about 12.8% after two but within five years, and the remaining 79.1% after six years or later. The Company and its consolidated subsidiaries apply the practical expedient to notes on transaction prices allocated to remaining performance obligations, and contracts with an initially expected contract period of one year or less are not included in the notes.

(Segment information, etc.)

[Segment information]

1. Outline of reportable segments

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

The Travel business engages in the arrangement, planning, and sales of overseas and domestic travel products and peripheral operations. In the Theme Park business, the Group owns and manages a theme park in Gamagori, Aichi Prefecture. The Hotel business engages in hotel operations in Japan, Taiwan, the United States, and Indonesia, as well as in ancillary businesses. The Kyushu Sanko Group, whose holding company is KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., is a segment of the HIS Group that engages in vehicle transportation, real estate leasing, and other operations.

The HIS Group has started to strengthen and improve its financial structure in preparation for a recovery and reconstruction of each business, including the mainstay Travel business, and it has sold all its shares in H.I.S. SUPER Power Co., Ltd. and HTB Energy Co., Ltd. in the consolidated fiscal year ended October 31, 2022. At the same time, the Group abolished the Energy business as a reportable segment in the consolidated fiscal year ended October 31, 2023, and moved H.I.S. Energy Holdings Co., Ltd. from the Energy business to "Other." H.I.S. Energy Holdings Co., Ltd. was excluded from the scope of consolidation in the consolidated fiscal year ended October 31, 2023 as a result of the completion of liquidation proceedings. The segment information for the consolidated fiscal year ended October 31, 2022 has been prepared based on the revised classification for reportable segments.

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

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

Segment profit figures are operating profits.

Intersegment internal profits and transfers are based on market prices.

3. Information regarding net sales, profit (loss), assets, liabilities, and other items for each reportable segment

Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

(Millions of yen)

	Reportable segments					Other (Note) 1	Total	Adjustments (Note) 2	Amount on consolidated financial statements (Note) 3
	Travel business	Theme Park business	Hotel business	Kyushu Sanko Group	Reportable segment total				
Net sales									
Sales to external customers	67,328	20,644	8,931	17,948	114,853	27,940	142,794	–	142,794
Intersegment sales/transfers	364	580	275	11	1,232	750	1,983	(1,983)	–
Total	67,693	21,225	9,207	17,960	116,086	28,691	144,778	(1,983)	142,794
Segment profit (loss)	(28,629)	183	(4,122)	(1,554)	(34,124)	(11,381)	(45,505)	(2,429)	(47,934)
Segment assets	119,301	5,666	95,555	54,033	274,557	7,273	281,830	133,153	414,984
Others									
Depreciation	3,416	2,057	3,918	1,864	11,257	781	12,039	372	12,411
Amortization of goodwill	580	–	11	–	592	94	686	–	686
Investment in entities accounted for using equity method	410	–	–	–	410	0	410	–	410
Increase in property, plant and equipment and intangible assets	2,682	1,705	4,606	474	9,468	532	10,001	–	10,001

(Notes) 1. "Other" refers to business segments such as energy, non-life insurance, and real estate businesses not included in the reportable segments.

2. The details of "Adjustments" are as follows:

(1) Adjustment on segment profit (loss) amounting to -2,429 million yen reflects corporate-wide expenses not allocated to each reportable segment, and refers to expenses at the parent company's headquarter administration division, which are not attributable to reportable segments.

(2) Adjustment on segment assets amounting to 133,153 million yen includes -741 million yen in elimination of intersegment transactions, and corporate-wide assets of 133,895 million yen not allocated to each reportable segment. Corporate-wide assets refer to surplus fund management (cash and deposits, and securities) at the parent company, and assets of the administration division.

(3) Adjustment on depreciation amounting to 372 million yen is corporate-wide expenses not allocated to each reportable segment, and refers to depreciation at the parent company's headquarter administration division, which is not attributable to the reportable segments.

3. Segment profit (loss) is adjusted with the operating loss in the consolidated financial statements.

4. EBITDA for each reportable segment is presented below.

(Millions of yen)

	Travel business	Theme Park business	Hotel business	Kyushu Sanko Group	Other	Total
Segment profit (loss)	(28,629)	183	(4,122)	(1,554)	(11,381)	(45,505)
Depreciation and goodwill amortization	3,996	2,057	3,930	1,864	876	12,725
EBITDA (*)	(24,632)	2,240	(192)	309	(10,505)	(32,779)

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

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Reportable segments					Other (Note) 1	Total	Adjustments (Note) 2	Amount on consolidated financial statements (Note) 3
	Travel business	Theme Park business	Hotel business	Kyushu Sanko Group	Reportable segment total				
Net sales									
Sales to external customers	200,894	3,343	17,562	21,664	243,464	8,402	251,866	0	251,866
Intersegment sales/transfers	1,114	13	374	11	1,514	234	1,749	(1,749)	—
Total	202,008	3,356	17,937	21,676	244,978	8,636	253,615	(1,748)	251,866
Segment profit	803	160	577	58	1,599	316	1,915	(518)	1,397
Segment assets	156,113	5,391	94,520	54,997	311,023	8,011	319,034	122,311	441,346
Others									
Depreciation	3,555	323	4,114	1,733	9,726	222	9,948	523	10,471
Amortization of goodwill	496	—	8	—	505	7	512	—	512
Investment in entities accounted for using equity method	210	—	—	—	210	0	210	—	210
Increase in property, plant and equipment and intangible assets	2,505	163	2,089	1,329	6,088	398	6,487	729	7,216

(Notes) 1. "Other" refers to business segments such as non-life insurance and real estate businesses not included in the reportable segments.

2. The details of "Adjustments" are as follows:

(1) Adjustment on segment profit amounting to -518 million yen reflects corporate-wide expenses not allocated to each reportable segment, and refers to expenses at the parent company's headquarter administration division, which are not attributable to reportable segments.

(2) Adjustment on segment assets amounting to 122,311 million yen includes -1,191 million yen in elimination of intersegment transactions, and corporate-wide assets of 123,503 million yen not allocated to each reportable segment. Corporate-wide assets refer to surplus fund management (cash and deposits, and securities) at the parent company, and assets of the administration division.

(3) Adjustment on depreciation amounting to 523 million yen is corporate-wide expenses not allocated to each reportable segment, and refers to depreciation at the parent company's headquarter administration division, which is not attributable to the reportable segments.

(4) Adjustment on increase in property, plant and equipment and intangible assets amounting to 729 million yen is capital investment at the parent company, which is not attributable to the reportable segments.

3. Segment profit is adjusted with the operating profit in the consolidated financial statements.

4. EBITDA for each reportable segment is presented below.

(Millions of yen)

	Travel business	Theme Park business	Hotel business	Kyushu Sanko Group	Other	Total
Segment profit	803	160	577	58	316	1,915
Depreciation and goodwill amortization	4,051	323	4,123	1,733	229	10,461
EBITDA (*)	4,854	483	4,700	1,791	546	12,377

(*) EBITDA reflects segment profit plus depreciation and goodwill amortization.

[Related information]

Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

1. Information by product and service

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

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
121,458	12,534	3,361	(45)	5,486	142,794

(2) Property, plant and equipment

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
139,172	10,590	15,548	13	5,031	170,356

3. Information by major customer

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

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

1. Information by product and service

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

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
205,588	20,282	10,166	(719)	16,547	251,866

(2) Property, plant and equipment

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
137,604	10,187	14,343	17	5,531	167,682

3. Information by major customer

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

[Information regarding impairment loss on non-current assets by reportable segment]
Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

(Millions of yen)

	Reportable segments					Other	Unallocated amounts and elimination	Total
	Travel business	Theme Park business	Hotel business	Kyushu Sanko Group	Reportable segment total			
Impairment loss	1,982	790	174	683	3,632	390	－	4,022

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

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Reportable segments					Other	Unallocated amounts and elimination	Total
	Travel business	Theme Park business	Hotel business	Kyushu Sanko Group	Reportable segment total			
Impairment loss	651	－	2,200	42	2,895	－	－	2,895

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

[Information regarding amortization of goodwill and unamortized balance by reportable segment]
Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

(Millions of yen)

	Reportable segments					Other (Note)	Unallocated amounts and elimination	Total
	Travel business	Theme Park business	Hotel business	Kyushu Sanko Group	Reportable segment total			
Amortization for the year ended October 31, 2022	580	－	11	－	592	94	－	686
Unamortized balance as of October 31, 2022	2,305	－	22	－	2,328	40	－	2,369

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

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Reportable segments					Other (Note)	Unallocated amounts and elimination	Total
	Travel business	Theme Park business	Hotel business	Kyushu Sanko Group	Reportable segment total			
Amortization for the year ended October 31, 2023	496	－	8	－	505	7	－	512
Unamortized balance as of October 31, 2023	2,051	－	8	－	2,060	32	－	2,092

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

[Information regarding gain on bargain purchase by reportable segment]
Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

There were no significant gains on bargain purchase to report.

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

There were no significant gains on bargain purchase to report.

[Related parties]
1. Transactions with related parties
(1) Transactions between the filing company and related parties
(a) Non-consolidated subsidiaries of the filing company
Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)
There are no applicable matters to report.

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
There are no applicable matters to report.

(b) Directors (and other officers) and major shareholders of the filing company, etc. (only in the case of individuals)
Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)
There are no applicable matters to report.

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

Category	Name	Location	Paid-in capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction amount (millions of yen)	Item	Balance at end of period (millions of yen)
Directors (and other officers) of the Company or their relatives	Hideo Sawada	—	—	Director and Top Advisor of the Company	(Held) Direct 24.1%	—	Purchase of subsidiary shares (Note 2)	11	—	—
							Disposal of treasury shares accompanying the exercise of share acquisition rights (Note 3)	1,899	—	—
Entities in which directors (and other officers) of the Company or their relatives hold a majority of voting rights	Hide Inter Ltd. (Note 1)	Shibuya-ku, Tokyo	5	Real estate purchasing and sales, leasing management, and brokerage	(Held) Direct 5.0%	—	Purchase of subsidiary shares (Note 2)	141	—	—

Conditions of transactions and policy for determining such conditions, etc.
(Notes) 1. Hideo Sawada, Director and Top Advisor of the Company, owns 100% of the voting rights in Hide Inter Ltd.
2. For subsidiary share purchases, the value of the shares was determined while taking into consideration the results of a valuation by a third-party appraiser in order to ensure fairness and appropriateness.
3. The exercise of share acquisition rights shows the portion of the share acquisition rights granted through a resolution of the Board of Directors at the meeting held on October 2, 2020 that was exercised in the consolidated fiscal year ended October 31, 2023. The transaction amount reflects the book value recorded by the Company at the time of disposal of the treasury shares in the consolidated fiscal year ended October 31, 2023.

(2) Transactions between consolidated subsidiaries of the filing company and related parties

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

Consolidated fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

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

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

(Notes) 1. Transactions are governed by the same conditions as for unrelated parties.

2. The Company’s Representative Director Hideo Sawada and his close relative own 100.0% of the voting rights of Kyoritsu Building, Co., Ltd.

Consolidated fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

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

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

(Notes) 1. Transactions are governed by the same conditions as for unrelated parties.

2. A close relative of the Company’s Director and Top Advisor Hideo Sawada owns 100.0% of the voting rights of Kyoritsu Building, Co., Ltd.

2. Notes concerning the parent company and significant associates

(1) Information regarding the parent company

There are no applicable matters to report.

(2) Summary of financial information for significant associates

There are no applicable matters to report.

(Per share information)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Net assets per share	641.24 yen	653.40 yen
Earnings (loss) per share	(130.00) yen	(35.35) yen

(Notes) 1. Although there were dilutive shares, diluted earnings per share are not presented due to the recording of a loss per share.
2. The basis of calculation for earnings (loss) per share and diluted earnings per share is shown below.

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (millions of yen)	(9,547)	(2,618)
Amount not attributable to common shareholders (millions of yen)	—	—
Profit (loss) attributable to owners of parent applicable to common stock (millions of yen)	(9,547)	(2,618)
Average number of shares outstanding during the fiscal year (thousand shares)	73,436	74,074

(Important subsequent events)

(Granting of stock options [share acquisition rights])

On January 26, 2024, the Board of Directors resolved to allot share acquisition rights as stock options to the directors and employees of the Company and its subsidiaries in an effort to motivate them to enhance corporate value.

1. Total number of share acquisition rights

12,307 units

2. Persons to be allotted the share acquisition rights, their number, and number of share acquisition rights to be allotted

Company directors: five persons	255 units
Company employees: 1,363 persons	10,865 units
Subsidiary directors: 46 persons	545 units
Subsidiary employees: 249 persons	642 units

3. Type and number of shares subject to share acquisition rights

1,230,700 common shares of the Company

4. Payment in exchange for share acquisition rights

The amount to be paid in exchange for each share acquisition right shall be the amount obtained by multiplying the fair value of the stock option per share, calculated using the Black-Scholes model based on various terms and conditions, by the number of granted shares. The payment shall be offset on the allotment date against monetary remuneration payable by the Company to the allottees.

5. Payment upon exercise of share acquisition rights

The amount of assets to be contributed upon the exercise of the share acquisition rights shall be the amount calculated by multiplying the amount paid per share that is issuable upon the exercise of the share acquisition rights (the "Exercise Price") by the number of shares granted under the share acquisition rights.

The Exercise Price shall be the closing price of the common shares of the Company in regular trading on the Tokyo Stock Exchange (the "Closing Price") on the day the share acquisition rights are allotted (the "Allotment Date"). However, if there is no Closing Price on the day in question, the most recent Closing Price shall be used.

6. Total share issue price for stocks issued upon exercise of share acquisition rights

2,973,371,200 yen

The amount above represents an estimate calculated based on the Closing Price of the common shares of the Company on the Tokyo Stock Exchange as of January 25, 2024.

7. When new shares are issued upon exercise of share acquisition rights, amount of issue price that is included in share capital

(1) The issue price per share when shares are issued upon the exercise of the share acquisition rights, is calculated by adding the issue price of the share acquisition rights to the amount of assets contributed upon the exercise of the share acquisition rights, and dividing the total by the number of granted shares.

(2) The increase in share capital due to the issuance of shares upon the exercise of the share acquisition rights shall equal one half of the maximum amount by which share capital can be increased as calculated in accordance with Article 17, Paragraph 1 of the Regulations on Company Accounting, with any fraction less than one yen arising therefrom rounded up to the nearest one yen. The amount not recorded as share capital shall be recorded as legal capital surplus.

8. Share acquisition rights allotment date
   March 25, 2024

9. Share acquisition rights exercise period
   From April 1, 2027 to March 31, 2028

5) Consolidated Supplementary Schedules

[Schedule of corporate bonds]

Company	Issue	Issue date	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Interest rate (%)	Collateral	Maturity date
H.I.S. Co., Ltd.	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2024 (Note) 1	November 16, 2017	25,036	25,018	—	None	November 15, 2024
H.I.S. Co., Ltd.	Third series unsecured bonds	February 20, 2017	15,000	15,000 (15,000)	0.440	None	February 20, 2024
H.I.S. Co., Ltd.	Fourth series unsecured bonds	February 20, 2017	5,000	5,000	0.580	None	February 19, 2027
Total	—	—	45,036	45,018 (15,000)	—	—	—

(Notes) 1. Amounts in parentheses in the “Balance at end of period” column reflect the current portion of bonds payable.

2. An overview of bonds with share acquisition rights is shown below.

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

When receiving a request from a person who intends to exercise the share acquisition rights above, in place of a payment owed to such person at maturity of bonds attached to the share acquisition rights, it will be deemed that such person has paid in full the amount payable upon exercise of the rights. When share acquisition rights are exercised, it shall be deemed that such a request has been received.

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

(Millions of yen)

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

[Schedule of borrowings, etc.]

Classification	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	28,555	51,326	0.83	―
Current portion of long-term borrowings	32,156	32,128	0.54	―
Current portion of lease obligations	2,646	3,111	―	―
Long-term borrowings (excluding current portion)	156,727	123,403	1.10	2024–2041
Lease obligations (excluding current portion)	11,635	11,164	―	2024–2041
Other interest-bearing debt	―	―	―	―
Total	231,722	221,133	―	―

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance of borrowings at the end of the fiscal year.

2. The average interest rate for lease obligations is not presented, as lease obligations recorded on the consolidated balance sheet are amounts prior to the deduction of the interest expense equivalent, which is included in total leasing fees.

3. Repayment amounts within five years of the consolidated closing date for long-term borrowings and lease obligations (excluding current portions) are shown below.

(Millions of yen)

	1–2 years	2–3 years	3–4 years	4–5 years
Long-term borrowings	2,380	41,993	5,325	24,138
Lease obligations	2,412	1,910	1,620	1,349

[Schedule of asset retirement obligations]

Asset retirement obligations at the beginning and end of the consolidated fiscal year ended October 31, 2023 are below 1% of the total liabilities and net assets at the beginning and end of the fiscal year ended October 31, 2023. The information is therefore omitted in accordance with the provisions in Article 92, Paragraph 2 of the Consolidated Financial Statement Regulations.

(2) Others

Quarterly information for the consolidated fiscal year ended October 31, 2023

(Cumulative period)	First quarter	Second quarter	Third quarter	Full year
Net sales (millions of yen)	46,143	102,913	163,981	251,866
Profit (loss) before income taxes (millions of yen)	(3,287)	(3,611)	(3,781)	(1,288)
Profit (loss) attributable to owners of parent (millions of yen)	(3,571)	(4,809)	(5,634)	(2,618)
Earnings (loss) per share (yen)	(48.30)	(65.03)	(76.19)	(35.35)

(Quarterly period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings (loss) per share (yen)	(48.30)	(16.73)	(11.16)	40.58

(Note) In the consolidated fiscal year ended October 31, 2023, the Company finalized the provisional accounting treatment for business combinations, and the quarterly results for the third quarter reflect the finalization of the provisional accounting treatment.

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheet

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Assets		
Current assets		
Cash and deposits	87,088	93,787
Accounts receivable - trade	4,380	13,602
Trade accounts receivable	137	472
Travel advance payments	4,744	6,137
Prepaid expenses	573	709
Accrued income	189	265
Short-term loans receivable	132	45
Short-term loans receivable from subsidiaries and associates	1,368	4,293
Accounts receivable - other	11,790	11,200
Other	3,616	2,971
Allowance for doubtful accounts	(545)	(224)
Total current assets	113,477	133,261
Non-current assets		
Property, plant and equipment		
Buildings	*1 9,939	*1 9,639
Vehicles	0	0
Tools, furniture and fixtures	280	254
Land	*1 24,915	*1 24,915
Construction in progress	54	56
Other	27	657
Total property, plant and equipment	35,217	35,523
Intangible assets		
Trademark right	30	34
Telephone subscription right	82	82
Software	1,584	1,616
Other	19	94
Total intangible assets	1,716	1,827
Investments and other assets		
Investment securities	1,510	1,467
Shares of subsidiaries and associates	56,508	53,633
Investments in capital of subsidiaries and associates	1,303	1,303
Long-term loans receivable	—	188
Long-term loans receivable from subsidiaries and associates	76,605	77,253
Long-term prepaid expenses	21	9
Deferred tax assets	3,014	3,845
Guarantee deposits	17,214	16,962
Distressed receivables	457	116
Other	4	10
Allowance for doubtful accounts	(5,762)	(4,951)
Total investments and other assets	150,878	149,840
Total non-current assets	187,812	187,190
Deferred assets		
Share issuance costs	113	14
Bond issuance costs	44	21
Total deferred assets	157	35
Total assets	301,447	320,487

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Liabilities		
Current liabilities		
Trade accounts payable	3,398	6,624
Short-term borrowings	20,000	43,470
Short-term borrowings from subsidiaries and associates	500	500
Current portion of bonds payable	—	*6 15,000
Current portion of long-term borrowings	30,000	27,243
Accounts payable - other	4,053	5,966
Accrued expenses	1,075	1,183
Income taxes payable	—	67
Accrued consumption taxes	—	313
Travel advances received	10,157	23,605
Insurance deposits	210	353
Gift certificates	6,247	5,637
Provision for bonuses	563	1,622
Other	4,928	14,284
Total current liabilities	81,136	145,874
Non-current liabilities		
Bonds payable	*6 20,000	*6 5,000
Convertible bond-type bonds with share acquisition rights	*6 25,036	*6 25,018
Long-term borrowings	*1, *5 127,904	*1, *5 97,189
Provision for retirement benefits	4,148	3,917
Long-term guarantee deposits	3	3
Other	581	706
Total non-current liabilities	177,674	131,836
Total liabilities	258,810	277,710
Net assets		
Shareholders’ equity		
Share capital	100	100
Capital surplus		
Legal capital surplus	25	25
Other capital surplus	28,761	28,117
Total capital surpluses	28,786	28,142
Retained earnings		
Legal retained earnings	246	246
Other retained earnings		
General reserve	15,565	15,565
Retained earnings brought forward	12,270	11,528
Total retained earnings	28,081	27,339
Treasury shares	(14,972)	(13,046)
Total shareholders’ equity	41,995	42,536
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	241	75
Total valuation and translation adjustments	241	75
Share acquisition rights	399	165
Total net assets	42,636	42,776
Total liabilities and net assets	301,447	320,487

2) Non-consolidated Statement of Income

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Net sales		
Overseas travel sales	6,909	80,955
Domestic travel sales	29,100	44,943
Other	3,957	6,983
Total net sales	[*2] 39,967	[*2] 132,882
Cost of sales		
Cost of overseas travel sales	4,136	60,126
Cost of domestic travel sales	23,724	35,852
Other	1,392	2,398
Total cost of sales	[*2] 29,253	[*2] 98,376
Gross profit	10,713	34,505
Selling, general and administrative expenses	[*1] 31,249	[*1] 34,164
Operating profit (loss)	(20,536)	340
Non-operating income		
Interest income	514	508
Dividend income	3,881	43
Foreign exchange gains	368	360
Other	105	151
Total non-operating income	[*2] 4,869	[*2] 1,065
Non-operating expenses		
Interest expenses	1,636	1,625
Commission expenses	366	110
Other	301	158
Total non-operating expenses	[*2] 2,305	[*2] 1,894
Ordinary profit (loss)	(17,971)	(488)
Extraordinary income		
Gain on sale of non-current assets	1,222	—
Gain on sale of investment securities	1,342	—
Gain on sale of shares of subsidiaries and associates	64,660	248
Reversal of allowance for doubtful accounts	—	[*3] 571
Subsidy income	[*4] 6,093	[*4] 291
Total extraordinary income	73,318	1,110
Extraordinary losses		
Impairment loss	110	—
Loss on valuation of investment securities	—	323
Loss on valuation of shares of subsidiaries and associates	[*5] 2,329	[*5] 784
Loss on sale of shares of subsidiaries and associates	18,954	—
Loss on valuation of other investments	—	[*6] 203
Loss on sale of other investments	—	[*7] 730
Provision of allowance for doubtful accounts	2,771	—
Losses from downtime	1,244	—
Total extraordinary losses	25,410	2,042
Profit (loss) before income taxes	29,936	(1,419)
Income taxes - current	79	79
Income taxes - deferred	1,884	(757)
Total income taxes	1,964	(677)
Profit (loss)	27,971	(741)

3) Non-consolidated Statement of Changes in Equity

Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	21,048	13,709	−	13,709	246	15,565	(29,174)	(13,363)
Cumulative effects of changes in accounting policies				−			109	109
Restated balance	21,048	13,709	−	13,709	246	15,565	(29,065)	(13,254)
Changes during period								
Issuance of new shares	3,750	3,750		3,750				
Capital reduction	(24,698)	(17,434)	42,133	24,698				
Deficit disposition			(13,363)	(13,363)			13,363	13,363
Reversal of general reserve								
Profit							27,971	27,971
Purchase of treasury shares								
Disposal of treasury shares			(8)	(8)				
Net changes in items other than shareholders' equity								
Total changes during period	(20,948)	(13,684)	28,761	15,076	−	−	41,335	41,335
Balance at end of period	100	25	28,761	28,786	246	15,565	12,270	28,081

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(15,004)	6,389	714	714	158	7,262
Cumulative effects of changes in accounting policies		109				109
Restated balance	(15,004)	6,498	714	714	158	7,371
Changes during period						
Issuance of new shares		7,500				7,500
Capital reduction		−				−
Deficit disposition		−				−
Reversal of general reserve		−				−
Profit		27,971				27,971
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	32	24				24
Net changes in items other than shareholders' equity			(473)	(473)	241	(231)
Total changes during period	32	35,496	(473)	(473)	241	35,264
Balance at end of period	(14,972)	41,995	241	241	399	42,636

Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	100	25	28,761	28,786	246	15,565	12,270	28,081
Changes during period								
Issuance of new shares								
Capital reduction								
Deficit disposition								
Reversal of general reserve								
Profit (loss)							(741)	(741)
Purchase of treasury shares								
Disposal of treasury shares			(643)	(643)				
Net changes in items other than shareholders' equity								
Total changes during period	—	—	(643)	(643)	—	—	(741)	(741)
Balance at end of period	100	25	28,117	28,142	246	15,565	11,528	27,339

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(14,972)	41,995	241	241	399	42,636
Changes during period						
Issuance of new shares		—				—
Capital reduction		—				—
Deficit disposition		—				—
Reversal of general reserve		—				—
Profit (loss)		(741)				(741)
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	1,926	1,282				1,282
Net changes in items other than shareholders' equity			(166)	(166)	(234)	(400)
Total changes during period	1,925	540	(166)	(166)	(234)	140
Balance at end of period	(13,046)	42,536	75	75	165	42,776

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Valuation standard and method for securities

(1) Shares of subsidiaries and associates and investments in capital of subsidiaries and associates

Stated at cost using the moving average method.

(2) Available-for-sale securities

1) Securities other than shares, etc. without a determinable market value

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

2) Shares, etc. without a determinable market value

Stated at cost using the moving average method.

2. Valuation standard and method for derivatives

Stated at fair market value.

3. Depreciation method for non-current assets

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

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

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

Buildings	3–50 years
Tools, furniture and fixtures	3–20 years

(2) Intangible assets (excluding leased assets)

The straight-line method is applied.

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

(3) Leased assets

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

(4) Long-term prepaid expenses

The straight-line method is applied.

4. Accounting method for deferred assets

(1) Share issuance costs

Share issuance costs are amortized by the straight-line method over three years.

(2) Bond issuance costs

Bond issuance costs are amortized in equal amounts over the period through redemption.

5. Standard for translation of foreign currency-denominated assets or liabilities into Japanese yen

Monetary claims and liabilities denominated in foreign currency are translated into yen at the spot exchange rate prevailing on the fiscal closing date, and the difference arising from such translation is recorded as profit or losses.

6. Accounting standards for provisions

(1) Allowance for doubtful accounts

To prepare for losses from uncollectible receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.

(2) Provision for bonuses

To provide for bonus payments to employees, a provision for bonuses is recorded based on estimated future payments.

(3) Provision for retirement benefits

To prepare for retirement benefit payments to employees, a provision for retirement benefits is recorded in the amount based on the retirement benefit obligation at the end of the fiscal year under review.

Actuarial gains or losses are treated as a lump-sum expense in the fiscal year following the year in which they arise.

7. Accounting standard for recognition of revenues and expenses

The details of the main performance obligations in key businesses related to revenue arising from contracts with customers of the Company, and the normal timing of satisfying such performance obligations (normal timing of recognizing revenue) are as follows.

(1) Own package tour products

There is an obligation to arrange and manage trips so that customers can receive transportation, accommodation, and other travel-related services provided by transportation and accommodation facilities, etc. in accordance with the itinerary set by the Company. Therefore, revenue is recognized over the duration of the trip.

(2) Agents sales of arranged tours, etc.

There is an obligation to make arrangements by acting as an agent, intermediary, or facilitator on behalf of travelers so that they can receive transportation, accommodation, and other travel-related services provided by transportation and accommodation facilities, etc. Therefore, revenue is recognized based on the date of completion of such arrangements, and as an agent transaction, revenue is recognized as the net amount after deducting the amount payable to the suppliers from the amount received from customers.

8. Hedge accounting methods

(1) Hedge accounting methods

The Company in principle accounts for hedging transactions on a deferred basis. It applies the designated hedge accounting treatment (*furiate shori*) to forward exchange contracts and other items that qualify for designated hedge accounting, and the exceptional accounting treatment (*tokurei shori*) to interest rate swaps and other items that qualify for exceptional accounting.

(2) Hedging instruments and hedged items

a. Hedging instruments: Forward exchange contracts
Hedged items: Foreign currency-denominated trade accounts payable, foreign currency-denominated accounts payable - other

b. Hedging instruments: Interest rate swaps
Hedged items: Borrowings

(3) Hedging policy

The Company hedges against foreign exchange fluctuation risk and interest rate fluctuation risk in accordance with its internal Financial Risk Management Regulations.

(4) Evaluation of hedge effectiveness

The effectiveness of hedging is assessed by comparing the cumulative total of the market fluctuations or the cash flow fluctuations for the hedged items with that of the market fluctuations or the cash flow fluctuations for the hedging instrument every six months, and analyzing the fluctuation amount, etc. for the two. However, the effectiveness of hedging is not evaluated for interest rate swaps subject to exceptional accounting treatment.

9. Other significant matters for the preparation of non-consolidated financial statements

Accounting method for retirement benefits

Unrecognized actuarial differences, unrecognized prior service cost, and unsettled differences arising from transitional obligations related to retirement benefits are accounted for using a different method than in the consolidated financial statements.

(Significant accounting estimates)

1. Impact of the COVID-19 pandemic

As business conditions gradually normalize in the post-COVID era, signs of a recovery in demand are becoming apparent in the businesses of the Company.

In the Travel business, domestic travel demand recovered broadly in FY2023, while overseas travel demand is gradually heading toward a recovery.

In light of the above, the Company expects its transaction volume in FY2024 to more or less revert to the FY2019 levels.

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

2. Recoverability of deferred tax assets

(1) Amount recorded in non-consolidated financial statements

(Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Deferred tax assets	3,014	3,845

(2) Other information related to estimates

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

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

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

In determining the recoverability of deferred tax assets as of October 31, 2023, the Company has estimated future taxable income based on the future plans of the Company, which are predicated on the key assumption of a recovery in travel demand in the post-COVID era.

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

If actual market conditions and the recovery in travel demand worsen beyond the estimates of the management of the Company going forward, this may result in a reversal of deferred tax assets and have an impact on the financial position and management performance of the Company.

3. Valuation of investments in and loans issued to subsidiaries and associates

(1) Amounts recorded in non-consolidated financial statements

(Millions of yen)

	Year ended October 31, 2022	Year ended October 31, 2023
Shares of subsidiaries and associates	56,508	53,633
Investments in capital of subsidiaries and associates	1,303	1,303
Short-term loans receivable from subsidiaries and associates	1,368	4,293
Long-term loans receivable from subsidiaries and associates	76,605	77,253
Allowance for doubtful accounts related to the above	(5,285)	(4,707)

(2) Other information related to estimates

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

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

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

In valuing investments in and loans issued to subsidiaries and associates as of October 31, 2023, the Company has valued the recoverability of its shareholdings and investments in, as well as its loans receivable issued to, subsidiaries and associates based on the future plans of such subsidiaries and associates, which are predicated on the key assumption of a recovery in travel demand in the post-COVID era.

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

If actual market conditions and the recovery in travel demand worsen beyond the estimates of the management of the subsidiaries and associates going forward, this may result in the booking of losses by the Company in the form of impairment charges on its shareholdings and investments in such subsidiaries and associates, or allowances for doubtful accounts against loans issued to such subsidiaries and associates, and this may have an impact on the financial position and management performance of the Company.

(Changes in accounting policy)

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan; hereinafter the “Fair Value Measurement Standard Implementation Guidance”) from the beginning of the fiscal year ended October 31, 2023. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Standard Implementation Guidance, the Company has decided to apply the new accounting policies prescribed in the Fair Value Measurement Standard Implementation Guidance in the future.

These changes have no impact on the non-consolidated financial statements.

(Non-consolidated balance sheet)

*1. Assets and liabilities recognized as financial transactions

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

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Buildings	7,754	7,591
Land	24,445	24,445
Long-term borrowings	32,404	32,404

2. Contingent liabilities

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

Year ended October 31, 2022 (As of October 31, 2022)		Year ended October 31, 2023 (As of October 31, 2023)	
Green World Hotels Co., Ltd.	420,000 thousand TWD (1,944 million yen)	Japan Holiday Travel Co., Ltd.	1,850 million yen
Japan Holiday Travel Co., Ltd.	1,850 million yen	Green World Hotels Co., Ltd.	380,000 thousand TWD (1,755 million yen)
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	691,000 thousand yen 20,000 thousand TRY 1,000 thousand USD (999 million yen)	HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	691,000 thousand yen 3,210 thousand USD (1,170 million yen)
FLY HUB TRAVEL PTE. LTD.	7,000 thousand SGD (735 million yen)	FLY HUB TRAVEL PTE. LTD.	7,000 thousand SGD (767 million yen)
Miki Tourist Co., Ltd.	400,000 thousand yen 200 thousand USD (429 million yen)	Miki Tourist Co., Ltd.	372,230 thousand yen 254 thousand USD (410 million yen)
H.I.S. Hotel Holdings Co., Ltd.	235 million yen	H.I.S. Hotel Holdings Co., Ltd.	235 million yen
H.I.S. Tours Co., Ltd.	50,000 thousand THB (195 million yen)	H.I.S. Tours Co., Ltd.	50,000 thousand THB (208 million yen)
Merit Travel Group Inc.	1,200 thousand CAD (130 million yen)	H.I.S. INTERNATIONAL TOURS (NY) INC.	955 thousand USD (142 million yen)
H.I.S. - MERIT TRAVEL INC.	1,000 thousand CAD (108 million yen)	Merit Travel Group Inc.	1,200 thousand CAD (129 million yen)
H.I.S. INTERNATIONAL TOURS (NY) INC.	640 thousand USD (94 million yen)	H.I.S. - MERIT TRAVEL INC.	1,000 thousand CAD (108 million yen)
HAWAII HIS CORPORATION	420 thousand USD (62 million yen)	H.I.S. Deutschland Touristik GmbH	396 thousand EUR (62 million yen)
H.I.S. Deutschland Touristik GmbH	396 thousand EUR (58 million yen)	HAWAII HIS CORPORATION	420 thousand USD (62 million yen)
HIS INTERNATIONAL TOURS FRANCE SAS	273 thousand EUR (40 million yen)	HIS INTERNATIONAL TOURS FRANCE SAS	273 thousand EUR (43 million yen)
H.I.S. Management Consulting DMCC	250 thousand USD (37 million yen)	H.I.S. TRAVEL (MALAYSIA) SDN BHD.	1,132 thousand MYR (35 million yen)
H.I.S. TRAVEL (MALAYSIA) SDN BHD.	800 thousand MYR (25 million yen)	H I S TRAVEL & TOURISM L.L.C	100 thousand EUR (15 million yen)
H I S TRAVEL & TOURISM L.L.C	100 thousand EUR (14 million yen)	H.I.S. CANADA INC.	94 thousand CAD (10 million yen)
H.I.S. CANADA INC.	94 thousand CAD (10 million yen)	H.I.S. Travel Nederland B.V.	55 thousand EUR (8 million yen)
H.I.S. Travel Nederland B.V.	55 thousand EUR (8 million yen)		

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

Year ended October 31, 2022 (As of October 31, 2022)		Year ended October 31, 2023 (As of October 31, 2023)	
・Guarantee with specified amount		・Guarantee with specified amount	
QUALITA Co., Ltd.	20 million yen	QUALITA Co., Ltd.	20 million yen
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	2,000 thousand USD (296 million yen)	HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	2,000 thousand USD (299 million yen)
H.I.S. Okinawa Co., Ltd.	22 million yen	H.I.S. Okinawa Co., Ltd.	20 million yen
H.I.S. SUPER Power Co., Ltd.	720 million yen	TOUR WAVE CO., LTD.	10 million yen
TOUR WAVE CO., LTD.	10 million yen		
・Guarantee without specified amount		・Guarantee without specified amount	
QUALITA Co., Ltd.	Payment guarantee for trade payables	QUALITA Co., Ltd.	Payment guarantee for trade payables
LY-HIS TRAVEL Co., Ltd.	Payment guarantee for trade payables	H.I.S. Okinawa Co., Ltd.	Payment guarantee for trade payables
H.I.S. Okinawa Co., Ltd.	Payment guarantee for trade payables	H.I.S. Management Consulting DMCC	Payment guarantee for trade payables
H.I.S. Management Consulting DMCC	Payment guarantee for trade payables	FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables
FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables	H.I.S. Okinawa Co., Ltd.	Payment guarantee for office rent, etc.
H.I.S. Okinawa Co., Ltd.	Payment guarantee for office rent, etc.	H.I.S. Hotel Holdings Co., Ltd.	Payment guarantee for business-use leasehold interest
H.I.S. Hotel Holdings Co., Ltd.	Payment guarantee for business-use leasehold interest	HAWAII SQUARE LLC	Payment guarantee for referral fees, etc.
H.I.S. SUPER Power Co., Ltd.	Payment guarantee for foreign exchange futures transactions, etc.	GUAM REEF HOTEL, INC.	Payment guarantee for real estate lease agreement

3. Monetary claims and obligations to subsidiaries and associates (excluding those separately disclosed)

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Short-term monetary claims	890	2,805
Long-term monetary claims	47	82
Short-term monetary obligations	2,145	5,840

4. Committed credit line agreements

The Company concluded commitment credit line agreements with three banks to ensure efficient and stable procurement of working capital. Unexecuted borrowings, etc. based on such committed credit line agreements are shown below.

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Committed credit line limits (total)	33,000	33,000
Outstanding borrowings	—	—
Difference	33,000	33,000

*5. Financial covenants

Syndicated loans

1) Must maintain the net asset value on the consolidated balance sheet reported on the final day of each fiscal year at 75% or more of the net asset value on the consolidated balance sheet reported on the final day of the previous fiscal year.

2) May not record ordinary losses on the consolidated statement of income reported on the final day of each fiscal year for two consecutive years.

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

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Long-term borrowings	34,500	32,128

*6. Notable covenants attached to other obligations

(1) Unsecured bonds

Ensure the following two scenarios do not apply.

1) For bonds other than unsecured bonds, forfeiture of the benefit of time, or inability to repay such bonds when they are due.

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

The balance of the applicable unsecured bonds is shown below.

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Bonds payable (including current portion)	20,000	20,000

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

Ensure the following scenario does not apply.

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

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

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Convertible bond-type bonds with share acquisition rights	25,036	25,018

(Non-consolidated statement of income)

*1. Selling, general and administrative expenses comprised 71.4% selling expenses and 28.6% general and administrative expenses in the fiscal year ended October 31, 2022, and 85.2% and 14.8%, respectively, in the fiscal year ended October 31, 2023. Major cost items and amounts are shown below.

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Commission expenses	3,209	4,348
Salaries and bonuses	12,413	14,759
Provision for bonuses	945	2,341
Provision of allowance for doubtful accounts	173	(284)
Provision for accrued interest for travel funds	16	15
Depreciation and amortization	1,273	1,305

*2. Amount of transactions with subsidiaries and associates

(Millions of yen)

	Year ended October 31, 2022 (November 1, 2021 to October 31, 2022)	Year ended October 31, 2023 (November 1, 2022 to October 31, 2023)
Amount of operating transactions		
Net sales	593	2,584
Cost of sales	6,954	29,992
Transaction amount for non-operating transactions		
Non-operating income	4,370	515
Non-operating expenses	28	2

*3. Reversal of allowance for doubtful accounts

The reversal of allowance for doubtful accounts mainly applies to loans receivable from H.I.S. Hotel Holdings Co., Ltd. and loans receivable from Activity Japan Co., Ltd.

*4. Subsidy income

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

*5. Loss on valuation of shares of subsidiaries and associates

Fiscal year ended October 31, 2022 (November 1, 2021 to October 31, 2022)

The Company recorded losses on valuation of shares of subsidiaries and associates for consolidated subsidiaries H.S. Insurance Co., Ltd. and H.I.S. Energy Holdings Co., Ltd., etc.

Fiscal year ended October 31, 2023 (November 1, 2022 to October 31, 2023)

The Company recorded losses on valuation of shares of subsidiaries and associates for consolidated subsidiaries Ohshu Express Ltd. and hapi-robo st, Inc., etc.

*6. Loss on valuation of other investments

The Company recognized a loss expected to be incurred on the sale or disposal of owned artworks.

*7. Loss on sale of other investments

This represents the loss incurred from the sale of artworks owned by the Company.

(Marketable securities)

Fiscal year ended October 31, 2022 (as of October 31, 2022)

Shares of subsidiaries and associates (amounts recorded on the non-consolidated balance sheet: shares of subsidiaries 55,853 million yen, shares of associates 654 million yen) are not presented as they are classified as shares, etc. without a determinable market value.

Fiscal year ended October 31, 2023 (as of October 31, 2023)

Shares of subsidiaries and associates (amounts recorded on the non-consolidated balance sheet: shares of subsidiaries 53,035 million yen, shares of associates 598 million yen) are not presented as they are classified as shares, etc. without a determinable market value.

(Tax effect accounting)

1. Principal components of deferred tax assets and deferred tax liabilities

(Millions of yen)

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
(Deferred tax assets)		
Tax loss carryforwards	2,377	2,581
Loss on valuation of shares of subsidiaries and associates	2,461	2,724
Excess allowance for doubtful accounts	1,931	1,584
Provision for retirement benefits	1,270	1,199
Provision for bonuses	172	496
Unsettled gift certificates	471	425
Loss on valuation of investment securities	—	394
Non-deductible asset retirement obligation expenses	113	110
Long-term accounts payable - other	96	96
Subsidy income	49	—
Other	675	378
Deferred tax assets subtotal	9,619	9,992
Valuation allowance pertaining to tax loss carryforwards	(1,441)	(1,099)
Valuation allowance pertaining to total future deductible temporary differences	(5,057)	(5,011)
Valuation allowance subtotal	(6,498)	(6,110)
Deferred tax assets total	3,121	3,881
(Deferred tax liabilities)		
Valuation difference on available-for-sale securities	(106)	(36)
Deferred tax liabilities total	(106)	(36)
Deferred tax assets, net	3,014	3,845

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

	Year ended October 31, 2022 (As of October 31, 2022)	Year ended October 31, 2023 (As of October 31, 2023)
Effective statutory tax rate	34.59%	Notes have been omitted as the Company recorded a loss before income taxes.
(Adjustments)		
Non-deductible permanent differences such as entertainment expenses	0.13%	
Non-taxable permanent differences such as dividend income	-4.61%	
Inhabitant tax on per capita basis	0.09%	
Increase (decrease) in valuation allowance	-0.23%	
Loss carryforwards included in deductible expenses	-20.21%	
Other	-3.20%	
Actual effective tax rate after application of tax effect accounting	6.56%	

(Revenue recognition)

Notes regarding the basic information to understand revenue from contracts with customers have been omitted because the same content is provided in “Revenue recognition” under the “Notes to Consolidated Financial Statements” in the consolidated financial statements.

(Important subsequent events)

(Granting of stock options [share acquisition rights])

Notes have been omitted because they are provided in “Important subsequent events” under the “Notes to Consolidated Financial Statements” in the consolidated financial statements.

4) Non-consolidated Supplementary Schedules

Schedule for property, plant and equipment

(Millions of yen)

Classification	Asset type	Balance at beginning of period	Increase during period	Decrease during period	Depreciation during period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	9,939	76	2	373	9,639	2,150
	Vehicles	0	－	－	－	0	1
	Tools, furniture and fixtures	280	70	0	96	254	1,805
	Land	24,915	－	－	－	24,915	－
	Construction in progress	54	2	－	－	56	－
	Other	27	722	－	91	657	91
	Total	35,217	871	3	562	35,523	4,047
Intangible assets	Trademark right	30	9	－	5	34	－
	Telephone subscription right	82	－	－	－	82	－
	Software	1,584	759	－	727	1,616	－
	Other	19	77	－	2	94	－
	Total	1,716	847	－	736	1,827	－

Schedule for provisions

(Millions of yen)

Classification	Balance at beginning of period	Increase during period	Decrease during period (due to intended usage)	Decrease during period (other)	Balance at end of period
Allowance for doubtful accounts (Note)	6,307	5,175	250	6,057	5,175
Provision for bonuses	563	1,622	563	－	1,622

(Note) The 6,057 million yen decrease in allowance for doubtful accounts under “Decrease during period (other)” is attributable to reversals.

(2) Major Assets and Liabilities

Notes are omitted as consolidated financial statements were prepared.

(3) Others

There are no applicable matters to report.

VI. Stock-related Administration for the Company

Fiscal year	From November 1 to October 31
General Meeting of Shareholders	January
Record date	October 31
Record date for dividend of surplus	April 30 October 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	
Handling office	(Special account) Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Transfer agent	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Forward office	―
Purchasing and selling fee	None
Method of public notice	Public notice of the Company is given by electronic means. However, in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be made by publication in The Nihon Keizai Shimbun issued in Tokyo. URL for public notice: https://www.his.co.jp/
Special benefit for shareholders	Every year, at the end of April and October, the Company issues shareholder benefits to all shareholders who own at least 100 shares and are recorded in the Shareholder Registry, based on the following criteria. Shareholders owning 100 or more but fewer than 500 shares Two shareholder benefit coupons (corresponding to 2,000 yen) Shareholders owning 500 or more but fewer than 1,000 shares Four shareholder benefit coupons (corresponding to 4,000 yen) Shareholders owning 1,000 or more shares Six shareholder benefit coupons (corresponding to 6,000 yen) Shareholders owning 100 or more shares One discounted admission ticket for Laguna Ten Bosch (500-yen discount per person; tickets can be used by up to five people).

VII. Reference Information on the Company

1. Information on the Parent Company, etc. of the Company

The Company has no parent company.

2. Other Reference Information

The Company filed the following documents between the beginning of the fiscal year under review and the submittal of the Japanese version of this Securities Report.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof
For the 42nd fiscal year (from November 1, 2021 to October 31, 2022)
Submitted to Director-General, Kanto Local Finance Bureau on January 27, 2023

(2) Amended Annual Securities Report and Confirmation Letter thereof
For the 42nd fiscal year (from November 1, 2021 to October 31, 2022)
Submitted to Director-General, Kanto Local Finance Bureau on September 13, 2023

(3) Internal Control Report and documents attached thereto
Submitted to Director-General, Kanto Local Finance Bureau on January 27, 2023

(4) Quarterly Securities Report and Confirmation Letter thereof
For the first quarter of the 43rd fiscal year (from November 1, 2022 to January 31, 2023)
Submitted to Director-General, Kanto Local Finance Bureau on March 15, 2023
For the second quarter of the 43rd fiscal year (from February 1, 2023 to April 30, 2023)
Submitted to Director-General, Kanto Local Finance Bureau on June 14, 2023
For the third quarter of the 43rd fiscal year (from May 1, 2023 to July 31, 2023)
Submitted to Director-General, Kanto Local Finance Bureau on September 13, 2023

(5) Extraordinary Report
Submitted to Director-General, Kanto Local Finance Bureau on January 26, 2023
According to the provision of Article 19, Paragraph 2, Item 9 (a change to the representative director) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director-General, Kanto Local Finance Bureau on January 27, 2023
According to the provision of Article 19, Paragraph 2, Item 9-2 (result of exercise of voting rights at a general shareholders' meeting), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director-General, Kanto Local Finance Bureau on September 13, 2023
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director-General, Kanto Local Finance Bureau on December 8, 2023
According to the provision of Article 19, Paragraph 2, Item 3 (a change to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director-General, Kanto Local Finance Bureau on December 15, 2023
According to the provision of Article 19, Paragraph 2, Item 12 and Item 19 (the occurrence of an event that may have serious effects on the financial position, operating results and cash flow status) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Part II Information on Guarantors, etc. for the Company

There are no applicable matters to report.