

Consolidated Financial Results for the Fiscal Year Ended October 31, 2017

(Based on Japanese GAAP)

* Please note this document is a translation of the original Japanese document "Financial Results for the Fiscal Year Ended October 31, 2017 (Kessan Tanshin)" and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

December 8, 2017

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

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

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

Contact: Shigeru Nakatani, Director and CFO (Tel) +81-3-5908-2070

Scheduled Date to Hold GSM: January 25, 2018, Scheduled Date to Start Dividend Payment: January 26, 2018

Scheduled Date to File Securities Report: January 26, 2018

Preparation of Supplementary Material on Financial Results: Yes

Holding of Financial Results Meeting: Yes (for securities analysts and institutional investors)

(Rounded down to the nearest million Japanese Yen)

1. Consolidated Financial Results for the Fiscal Year Ended October 31, 2017 (November 1, 2016 – October 31, 2017)

(1) Consolidated Operating Results

(% shows year-on-year changes)

Fiscal Year ended	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
October 31, 2017	606,024	15.7	15,915	11.5	19,647	127.2%	13,259	—
October 31, 2016	523,705	△2.6	14,274	△28.5	8,648	△61.9%	267	△97.5%

(*Note) Comprehensive Income: JPY20,386 million (—%) for the fiscal year ended October 31, 2017
 △JPY5,928 million (—%) for the fiscal year ended October 31, 2016

Fiscal Year ended	EPS	Diluted EPS	Return on Equity	Ordinary Profit on Total assets	Operating Profit on Net Sales
	JPY	JPY	%	%	%
October 31, 2017	219.52	204.60	16.0	5.2	2.6
October 31, 2016	4.25	3.58	0.3	2.7	2.7

(*Reference) Equity in earnings of affiliated companies: △JPY69 million for the fiscal year ended October 31, 2017
 △JPY751 million for the fiscal year ended October 31, 2016

(2) Consolidated Financial Position

As of	Total Assets	Net Assets	Equity Ratio	BPS
	JPY million	JPY million	%	JPY
October 31, 2017	422,809	111,247	20.3%	1,466.13
October 31, 2016	332,385	95,139	23.9%	1,295.35

(*Reference) Shareholders' Equity: JPY85,773 million for the fiscal year ended October 31, 2017
 JPY79,592 million for the fiscal year ended October 31, 2016

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and Cash Equivalents at end of period
Fiscal Year ended	JPY million	JPY million	JPY million	JPY million
October 31, 2017	32,369	△26,209	29,769	168,659
October 31, 2016	5,149	△15,440	30,181	129,842

2. Dividend

	Dividend Per Share					Total Dividend Amount	Payout Ratio (Consolidated)	DOE (Consolidated)
	1Q	2Q	3Q	4Q	Total			
Fiscal Year ended October 31, 2016	JPY	JPY	JPY	JPY	JPY	JPY million	%	%
October 31, 2016	—	0.00	—	22.00	22.00	1,361	517.6	1.6
October 31, 2017	—	0.00	—	29.00	29.00	1,707	13.2	2.1
October 31, 2018 (Forecast)	—	0.00	—	29.00	29.00		17.0	

(Note) Total dividend for the fiscal year ended October 31, 2016 includes JPY10 million dividend for H.I.S. shares owned by the H.I.S. Employee Stock Ownership Trust.

Total dividend for the fiscal year ended October 31, 2017 includes JPY10 million dividend for H.I.S. shares owned by the H.I.S. Employee Stock Ownership Trust.

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

(% shows year-on-year changes)

	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		EPS
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
First 6 months	350,000	28.8	7,700	23.3	8,700	△17.4	3,900	△24.7	66.66
Full Year	735,000	21.3	18,000	13.1	23,000	1.8	10,000	△24.6	170.93

(*Notes)

(1) Changes in important subsidiaries during the fiscal year (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

3 new additions: HS Insurance Co., Ltd., H.I.S. - MERIT TRAVEL INC., Green World Hotels Co., Ltd.

1 removal: ASIA ATLANTIC AIRLINES CO., LTD.

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

1) Changes in accounting policies due to amendments to accounting standards and other regulations: None

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

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements: None

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

1) Number of Issued and Outstanding Shares (Including Treasury Stocks) at the End of Period

As of October 31, 2017	68,522,936 shares
As of October 31, 2016	68,522,936 shares

2) Number of Treasury Stocks at the End of Period

As of October 31, 2017	10,019,506 shares
As of October 31, 2016	7,078,316 shares

3) Average Number of Shares during the Period

Fiscal year ended October 31, 2017	60,401,850 shares
Fiscal year ended October 31, 2016	62,881,812 shares

(*Note) The stocks of the company held by H.I.S. Employee Stock Ownership Trust are included in the number of treasury stock at the end of period (363,100 shares as of October 31, 2017 and 456,400 shares as of October 31, 2016) and the number of treasury stock deducted in calculating the average number of shares during the period (405,146 shares during November 2016 – October 2017 and 181,246 shares during November 2015 – October 2016).

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended October 31, 2017 (November 1, 2016 – October 31, 2017)

(1) Non-Consolidated Operating Results

(% shows year-on-year changes)

Fiscal Year ended	Net Sales		Operating Income		Ordinary Income		Net Income	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
October 31, 2017	428,734	8.5	2,582	7.5%	4,642	—	△108	—
October 31, 2016	395,278	△1.7	2,402	△47.0%	△636	—	△2,358	—

Fiscal Year ended	EPS	Diluted EPS
	JPY	JPY
October 31, 2017	△1.80	—
October 31, 2016	△37.51	—

(Note) Although dilutive shares exist, diluted EPS is not stated because of net loss per share.

(2) Non-Consolidated Financial Position

Fiscal Year ended	Total Assets	Net Assets	Equity Ratio	BPS
	JPY million	JPY million	%	JPY
October 31, 2017	264,887	23,593	8.8	398.96
October 31, 2016	234,489	39,822	16.9	646.86

(*Reference) Shareholders' Equity: JPY23,340 million for the fiscal year ended October 31, 2017
JPY39,745 million for the fiscal year ended October 31, 2016

(* This documents is not subject to the audit procedures as promulgated by the Financial Instruments and Exchange Act. .

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

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

Table of Contents of the Appendix

1.	Summary of Financial Results -----	2
	(1) Analysis of Operating Results -----	2
	(2) Analysis of Financial Position -----	4
	(3) Basic Policies regarding Profit Appropriation and Dividend for the fiscal year under review and next fiscal year -	5
	(4) Business and Other Risks -----	6
	(5) Management Policy -----	8
2.	Current Status of H.I.S. Group -----	9
3.	Basic Idea on Selection of Accounting Standards -----	10
4.	Consolidated Financial Statements -----	11
	(1) Consolidated Balance Sheet -----	11
	(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income -----	13
	Consolidated Statements of Income -----	13
	Consolidated Statements of Comprehensive Income -----	14
	(3) Consolidated Statement of Changes in Equity -----	15
	(4) Consolidated Statement of Cash Flows -----	17
	(5) Segment Information -----	19

1. Summary of Financial Results

(1) Analysis of Operating Results

① Operating Results for the Fiscal Year under Review

Regarding the business environment during the fiscal year under review, despite the geopolitical risks outside of Japan, domestic economic conditions in Japan continued to show a moderate recovery trend due to improvements in employment and income environments and effects of various government policies.

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

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

(Travel Business)

The number of Japanese travelers departing Japan during the consolidated fiscal year under review increased by 5.6% to 17.81 million as compared to the last fiscal year due to recovery from a decline due to terrorist attacks in Europe and other reasons, partially offset by slow-down due to East Asian situation. With respect to foreign visitors to Japan, the number of visitors was strong and increased by 17.8% to 27.71 million while achieving a record high for all 20 major markets. (Source: JNTO).

The outbound travel business from Japan, which is the pillar business of the Group, temporarily declined in profit margin in the 1st quarter due to decline in customers for tour products with high profitability due to unfavorable day sequence at year end and new year, but in the 2nd quarter and beyond, showed recovery from external factors such as terrorism, and remained steady. Especially for outbound travel business from Japan in February and March, student travel and spring vacation season travel were successful. Regarding domestic travel within Japan, although there was a delay in recovery of trips to Kyushu and natural disasters, new developments such as opening a new domestic airline ticket site, renewing the bus tour site, starting the direct sales support service of accommodation facilities, etc. were made.

In H.I.S. Group's outbound travel business from overseas, efforts were made to continue to introduce and strengthen management resources to capture the travel demand in Asia, where the number of outbound travelers is rapidly increasing due to economic development. In addition, in anticipation of expanding the share of outbound business in North America, Merit Holdings Inc., a Canada-based travel business company, became a subsidiary in the fiscal year under review. Furthermore, "GROUP MIKI HOLDINGS LIMITED" became a subsidiary to further strengthen the ability to provide travel products and services on the road in the inbound business in Europe.

In the inbound travel business to Japan, the number of foreign visitors to Japan still continues to show significant increase, with the government target for 2020 set at 40 million, which is expected to further expand. In H.I.S. Group's inbound travel business to Japan, the MICE business performed well, as a result of strengthening sales activities in Asian countries. B to B business from U.S. and Europe also performed well.

In the meantime, the number of H.I.S. Group's sales locations was 286 in Japan and 271 in 156 cities in 70 countries outside of Japan as of the end of October 2017 as a result of opening new locations and consolidation.

As a result of the above, the Travel Business recorded net sales of 536,826 million yen (115.3% of the same period last year), and operating income of 9,900 million yen (109.5% of the same period last year).

(Huis Ten Bosch Group)

Celebrating its 25th anniversary, Huis Ten Bosch focused on further enhancing experience value by providing only one and number one contents that can be enjoyed by three generations with 5 events including "Kingdom of Flowers", "Kingdom of Lights", "Kingdom of Music and Show", "Kingdom of Game" and "Kingdom of Health and Beauty" as the core as well as the 6th kingdom "Kingdom of Robots".

In "Kingdom of Light" with the world's largest 13 million ball, "Dragon Robot of Light" and "Canal Water Boat Show of Light" were well accepted. Henn-na Hotel which aims to be the world's most efficient hotel, was certified as Guinness World Record as "a hotel where robot worked as staff for the first time". It still maintains high occupancy rate. As a new facility, "House of VR" started its operation with full line-up of VR (Virtual Reality) contents. Huis Ten Bosch continues to develop as Japan's largest VR theme park with the opening of "Bahamut Disco", and "VR-KING", the world's strongest

VR coaster, in summer. In the fiscal year under review, new efforts were made to enhance recognition and to expand market as well such as deployment of popular contents in Tokyo.

As a result of the above, the number of visitors and amount of transactions in and after April 2017 was larger as compared to the same period last year. The number of visitors during the fiscal year under review was 2,881,000 (99.5% of the same period last year).

Laguna Ten Bosch enhanced "Night Pool" at its popular pool facility to attract customers. Also, "Henn na Hotel Laguna Ten Bosch" started its operation as the first hotel that is directly connected to the theme park to obtain new market customers.

Meanwhile, HTB Energy had started electricity retail business in full swing in the previous fiscal year.

As a result of the above, Huis Ten Bosh Group recorded net sales of 36,780 million yen (115.4% of the same period last year) and operating income of 7,688 million yen (102.7% of the same period last year).

(Hotel Business)

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

During the fiscal year under review, 2 new "Henn na Hotel" opened with "Henn na Hotel Maihama Tokyo Bay" (Urayasu City, Chiba Prefecture) in March and "Henn na Hotel Laguna Ten Bosch" (Gamagori City, Aichi Prefecture) in August, while Green World Hotel Co., Ltd., a Taiwan hotel group, became H.I.S. Group's subsidiary. "Henn na Hotel Maihama Tokyo Bay" is already profitable in its first year of operation, contributing significantly to earnings. Regarding existing facilities, Guam Reef & Olive Spa Resort (Guam) performed well as a result of strengthened group tour business and web reservation.

As a result of the above, Hotel Business recorded net sales of 8,177 million yen (123.7% of the same period last year) and operating income of 764 million yen (137.5% of the same period last year). EBITDA was 1,713 million yen (122.8% of the same period last year).

(Transportation Business)

The Transportation Business recorded net sales of 3,272 million (98.4% of the same period last year) and operating loss of 840 million yen (operating loss of 834 million yen in the same period last year). ASIA ATLANTIC AIRLINES CO.,LTD was reclassified from a consolidated subsidiary to an equity method affiliated company in the third quarter of the fiscal year under review. Its earnings during the 4th quarter was accounted for using equity method.

(Kyushu Sanko Group)

In the Kyushu Sanko Group, the overall recovery trend was seen after one year since the Kumamoto earthquake, and the high-speed bus business which had been decreasing also performed well. The groundbreaking ceremony of the Sakuramachi redevelopment project was conducted in February 2017, and the construction has progressed steadily. As a result, the Kyushu Sanko Group recorded net sales of 22,282 million yen (110.0% of the same period last year) and operating income of 564 million yen (631.9% of the same period last year).

As a result of the above, H.I.S. Group recorded net sales of 606,024 million yen (115.7% of the same period last year), a record high, and operating income of 15,915 million yen (111.5% of the same period last year) during the fiscal year under review. Ordinary income was 19,647 million (227.2% of the same period last year) due to foreign exchange gain of 2,275 million yen (6,798 million yen foreign exchange loss in the same period last year), and profit attributable to owners of parent was 13,259 million yen (4,964.5% of the same period last year), a record high.

② Financial Forecasts for the Fiscal Year Ending October 31, 2018

The uncertainty surrounding the world such as the geopolitical risk spreading all over the world and the unstable economic situation in China, Asian emerging countries, etc. is expected to remain, which is expected to continue to affect H.I.S. Group's businesses. In addition, major changes beyond market boundaries, such as on-line travel agents that continue to expand rapidly and the emergence of services using new technologies are anticipated.

Under such circumstances, H.I.S. Group strives to maximize the synergies of each company within H.I.S. Group's global network, further evolve existing businesses, expand into new areas through M&A, etc. and promote these businesses according to market changes. H.I.S. Group also pays more attention to productivity and innovation and further improve business performance.

Huis Ten Bosch will continue to make new challenges in various business areas, such as plans for only one event utilizing its uninhabited island, development of "Henn na Hotel" in and outside of Japan and full-scale start of electric power business.

(2) Analysis of Financial Position

① Assets, Liabilities, and Net Assets

Total assets as of the end of October 2017 increased by 90,423 million yen as compared to the end of October 2016 to 422,809 million yen. This was due mainly to 34,028 million yen increase in cash and deposits, 10,737 million yen increase in accounts receivable (trade), 20,710 million yen increase in property, plant and equipment, 5,969 million yen increase in goodwill, and 9,252 million yen increase in investment securities.

Total liabilities as of the end of October 2017 increased by 74,316 million yen as compared to the end of October 2016 to 311,561 million yen. This was due mainly to 4,845 million yen increase in operating accounts payable, 3,099 million yen increase in income taxes payable, 5,144 million yen increase in travel advance received, 24,382 million yen increase in loans payable, and 20,000 million yen increase in bonds payable.

Net assets as of the end of October 2017 increased by 16,107 million yen as compared to the end of October 2016 to 111,247 million yen. This was due mainly to 11,742 million yen increase in retained earnings as a result of profit attributable to owners of parent recognized during the fiscal year under review and other reasons, and 2,461 million yen increase in foreign currency translation adjustment.

Capital ratio as of the end of October 2017 was 20.3% as compared to 23.9% as of the end of October 2016. This was due to fund raising through bonds payable, convertible bond type bonds with stock acquisition rights and loans payable. Capital ratio excluding the impact of the fund raising was 34.1% as of the end of October 2017 and 38.7% as of the end of October 2016.

② Status of Cash Flow

The balance of cash and cash equivalents (hereinafter referred to as "funds") at the end of October 2017 increased by 38,816 million yen to 168,659 million yen. Cash flow generated by operating activities was 32,369 million yen, cash flow used in investing activities was 26,209 million yen, and cash flow generated by financing activities was 29,769 million yen.

Details of the status of each cash flow are as follows.

(Cash flows from operating activities)

Cash flow generated by operating activities during the fiscal year under review was 32,369 million yen. This was due mainly to 20,730 million yen of profit before income taxes, 7,104 million yen of depreciation and amortization, a non-cash item, and 5,894 million yen increase in travel advance received, partially offset by 5,185 million yen increase in travel advance receivable.

Cash flow generated by operating activities during the prior fiscal year (ended October 2016) was 5,149 million yen. This was due mainly to 5,107 million yen of profit before income taxes, 6,544 million yen of depreciation and amortization, a non-cash item, 3,616 million of foreign exchange losses, 3,541 million yen of impairment loss, and 3,704 million yen increase in travel advance received, partially offset by 7,229 million yen payment of corporate income tax, 6,526 million yen increase in accounts receivable (trade), and 2,911 million yen increase in travel advance payments.

As a result of the above, cash flow generated by operating activities during the fiscal year under review was 27,220 million yen more than the previous fiscal year.

(Cash flows from investing activities)

Cash flow used by investing activities during the fiscal year under review was 26,209 million yen. This was due mainly to 43,132 million yen expenditure for new time deposits, 24,189 million yen acquisition of tangible and intangible fixed assets, 8,366 million yen purchase of investment securities, and 5,856 million yen acquisition of subsidiary shares in relation to the changes in the scope of consolidation, partially offset by 51,799 million yen of time deposit withdrawal, 8,465 million yen of acquisition of subsidiary shares in relation to the changes in the scope of consolidation and 3,300 million yen of redemption of securities.

Cash flow used by investing activities during the prior fiscal year (ended October 2016) was 15,440 million yen. This was due mainly to 57,392 million yen of expenditure for new time deposits, 13,309 million yen acquisition of tangible and intangible fixed assets, 1,696 million yen acquisition of affiliated company shares, 1,632 million yen of new loans receivable, and 1,234 million yen acquisition of investment securities, partially offset by 49,732 million yen of time deposits withdrawal and 13,345 million yen of redemption of investment securities.

As a result of the above, cash flow used by investing activities during the fiscal year under review was 10,769 million yen more than the previous fiscal year.

(Cash flows from financing activities)

Cash flow generated by financing activities during the fiscal year under review was 29,769 million yen. This was due mainly to 81,640 million yen of proceeds from long and short terms loans payable and 19,899 million yen of issuance of corporate bonds, partially offset by 59,796 million yen repayments of long and short term loans payable, 10,001 million yen of purchase of treasury stock, and 1,361 million yen of dividend payment.

Cash flow generated by financing activities during the prior fiscal year (ended October 2016) was 30,181 million yen. This was due mainly to 63,465 million yen of proceeds from long term loans payable, partially offset by 21,673 million yen repayments of long term loans payable and 11,791 million yen of purchase of treasury stock.

As a result of the above, cash flow generated by financing activities during the fiscal year under review was 411 million yen less than the previous fiscal year.

(Reference) Cash Flow Related Indicators

	Fiscal year ended October 31, 2013	Fiscal year ended October 31, 2014	Fiscal year ended October 31, 2015	Fiscal year ended October 31, 2016	Fiscal year ended October 31, 2017
Capital Adequacy Ratio (%) (*2)	36.6	31.5	32.3	23.9	20.3
Market Value Capital Adequacy Ratio (%)	79.4	66.0	86.0	53.0	52.5
Interest-Bearing Debt to Cash Flow Ratio (%)	192.9	204.9	524.0	2,131.2	475.7
Interest Coverage Ratio (times)	115.0	144.3	51.2	16.6	73.2

Capital adequacy ratio: shareholders' equity / total assets

Market value capital adequacy ratio: market cap / total assets

Interest-bearing debt to cash flow ratio: interest bearing debt / cash flow

Interest coverage ratio: cash flow / interest payment

(*1) All indicators are on a consolidated basis.

(*2) The decline in the capital adequacy ratio is due to financing through corporate bonds, convertible bond type bonds with stock acquisition rights and loans payable. The capital adequacy ratio excluding the impact of this financing is as follows.

	Fiscal year ended October 31, 2013	Fiscal year ended October 31, 2014	Fiscal year ended October 31, 2015	Fiscal year ended October 31, 2016	Fiscal year ended October 31, 2017
Capital Adequacy Ratio Excluding Impact of Financing (%)	41.9	41.1	44.2	38.7	34.1

(*3) Market cap is calculated based on the number of shares outstanding excluding treasury shares.

(*4) Cash flow here means operating cash flow.

(*5) Interest-bearing debt includes all interest-bearing liabilities recorded on the consolidated balance sheet.

(3) Basic Policies regarding Profit Appropriation and Dividend for the fiscal year under review and next fiscal year

① Basic Policies regarding Profit Appropriation

Returning profits to shareholders is one of H.I.S. Group's key management principles. H.I.S. Group aims to maximize its enterprise value, and at the same time make stable and continuous appropriation of profits based on its financial performance, taking into consideration overall factors including global economic and travel business trends, strengthening of state of H.I.S. Group and future business developments. H.I.S. Group adopts a system of interim dividends, but there is a tendency for a greater share of annual sales and other factors to be recorded in the second half of the fiscal year. Therefore, at present, dividends are paid on an annual basis at year-end in order to realize fair dividends in terms of earnings.

② Utilization of Internal Capital Reserves

In addition to preparation for sudden environmental changes, competition or reorganization within the travel industry in Japan and abroad, as well as maintenance of the branch network and active investment in IT, there is a greater need to respond to unexpected external factors such as terrorism, political uncertainty and natural disasters. Under these circumstances, H.I.S. Group has strong awareness of the importance of building a stable, readily available financial base. Therefore, H.I.S. Group intends to stabilize its foundations by developing a relatively large internal capital reserve.

Based on the basic approach to allocation of profits above, H.I.S. Group plans to pay a year-end dividend of 29 yen per share. As an additional part of its effort to return profits to shareholders, 9,999 million yen of treasury stock was acquired during the fiscal year under review.

For the next fiscal year ending October 2018, H.I.S. Group plans to pay an annual common dividend of 29 yen per share to ensure sustainable and stable appropriation of profits, while working to increase the dividend. However, H.I.S. Group may take a flexible approach in responding to the situation, if financial performance worsens in uncertain market conditions.

(4) Business and Other Risks

Factors below could affect H.I.S. Group's operating results, financial position, share price or others. Having recognized the potential for such risks, H.I.S. Group intends to make every effort to avoid them and to address them in the event such risks should occur.

Matters regarding forward-looking information described in this section are based on management's judgment as of December 8, 2017, when the financial results were announced. Furthermore, business and other risks are not confined only to the following.

① Regional Character of Business Expansion

The Travel Business represents 88.6% of H.I.S. Group sales by segment. Also, sales by region are also concentrated in Japan, at 86.3%. Changes in the environment for the travel business in Japan therefore have the potential to affect H.I.S. Group's financial position, operating results and others.

② Changes in Fuel Surcharges

Parent company's sales accounted for 68.5% of H.I.S. Group sales, and overseas travel represented 86.4% of parent company's sales. A fuel surcharge is currently being added to overseas travel fares to reflect the change in oil prices. A sharp increase in this fuel surcharge could dampen overall demand and adversely affect H.I.S. Group's financial position, operating results and others.

③ Trends in Travel to Asia; Trend of Travelers Visiting Japan

Asia accounted for the largest percentage of H.I.S. Group's total number of outbound travelers departing Japan, representing 60.4% of the total (or 35.6% of sales). Changes in the external environment at these destinations, such as terrorism, outbreaks of contagious diseases, or natural disasters, could affect H.I.S. Group's financial position, operating results and others. If it becomes difficult to secure seats on flights as the number of international tourists visiting Japan from Asia rapidly increases, this could have a similar impact.

④ Competition with Competitors

The travel business continues to face fierce competition such as Japanese and international travel agencies, direct air ticket sales by suppliers, online travel agencies, and expansion of new travel-related services. H.I.S. Group's financial position, operating results and others could be affected if stiffer competition on prices were to occur.

⑤ Reduction in Commissions on Airline Tickets Sold at Published Fare by Airline Companies

Airline tickets that H.I.S. Group sells include those at published fares which airline companies provide directly to consumers. Airline companies are reducing or eliminating these commissions on airline tickets paid to travel agencies. This trend could affect H.I.S. Group's financial position, operating results and others.

⑥ Fluctuations in the Valuation of Owned Assets including Securities

H.I.S. Group holds listed and unlisted shares, bonds and other instruments. Hence, H.I.S. Group's financial position, operating results and others could be affected by the occurrence of losses on sale or valuation losses by movements in prices of securities possessing a market price, and by changes in the financial status of companies in which it has invested as to securities without a market price.

⑦ Impairment Loss on Fixed Assets, etc.

H.I.S. Group records tangible fixed assets, intangible assets, stocks, goodwill and other assets arising from investment activities and acquisitions carried out both domestically and overseas as assets on the consolidated balance sheet and amortizes or depreciates these assets over a reasonable period that is estimated to generate future synergy effects by respective business value and business combination. But if it is judged that expected results can not be achieved due to changes in business environments or competitive situation, it could affect H.I.S. Group's financial position, operating results and others through impairment loss of these assets.

⑧ Exchange Rate Fluctuations

H.I.S. Group conducts businesses in foreign currencies which result in income and expenses as well as assets and liabilities in foreign currencies as a consequence. H.I.S. Group hedges risks through forward exchange contracts and other instruments to mitigate the impact of exchange rate fluctuations. However, sharp fluctuations in exchange rates could affect H.I.S. Group's financial position, operating results and others. H.I.S. Group also translates the financial statements of consolidated overseas subsidiaries into Japanese yen when producing the consolidated financial statements. This could affect H.I.S. Group's financial position, operating results and others should there be fluctuation in exchange rates.

⑨ Breakout and Spread of Infectious Diseases throughout the World (Including Japan)

If an infectious disease were to break out and spread through the world including Japan, leading to a sudden decline in the desire for global travel, this could impact H.I.S. Group's financial position, operating results and others.

⑩ Flight Operations

If an aviation accident were to occur on a flight operated by H.I.S. Group, various issues would arise including loss of credibility with customers; damaged reputation; a slump in demand for air travel; and claims for damage during flight operations. This could affect H.I.S. Group's financial position, operating results and others. Likewise, if an accident by flights operated by other companies were to happen, the demand for air travel is likely to slump. This could also affect H.I.S. Group's financial position, operating results, and others.

⑪ Food Safety

H.I.S. Group has developed standards for the arrangement, mediation and quality control for planned tours and optional tours, and carefully selects restaurants. Additionally, H.I.S. Group's businesses include operation of restaurants, and H.I.S. Group pays absolute attention to food safety as well. Amid rising concerns about food safety, occurrence of health problems such as food poisoning could affect H.I.S. Group's reputation, and impact its financial position, operating results and others.

⑫ Effect of Weather

H.I.S. Group operates two theme parks, namely, HUIS TEN BOSCH in Sasebo City, Nagasaki Prefecture and Laguna Ten Bosch in Gamagori City, Aichi Prefecture. As a nature of the business, the number of visitors is expected to decline temporarily if there has been prolonged bad weather including typhoon and torrential rainfall. This could affect H.I.S. Group's financial position, operating results and others.

⑬ System Failures

H.I.S. Group uses computer systems for operations including reservation arrangements. If there occurs a critical failure in communication networks or programs, or a problem caused by a computer virus and others, this could significantly affect H.I.S. Group's operations. Depending on the scale of the system failure, H.I.S. Group's financial position, operating results and others could be affected, causing an interruption of services to our customers and an increase in repair costs.

⑭ System Development

H.I.S. Group is engaged in in-house development of its own system as well as development of various information systems of client companies and contract development services, but if development does not progress as planned in the development process etc., there is a possibility of unexpected increase in costs. In addition to improving the quality of existing products and services, H.I.S. Group is focusing on providing new products and services, but if technologies become obsolete, or if technology innovation can not be achieved, H.I.S. Group could lose its identity and competitiveness. This could affect H.I.S. Group's financial position and operating results.

⑮ Personal Information

H.I.S. Group retains personal information in each business segment. Pursuant to the Japanese law concerning the protection of personal information, H.I.S. Group has established Privacy Policy to ensure appropriate handling and protection of personal information. If a large-scale data leak were to occur for any reason, this could affect H.I.S. Group's reputation and incur damage claims, and impact H.I.S. Group's financial position and operating results.

⑯ Changes in External Environment

The risks surrounding H.I.S. Group's businesses include changes in the world situation such as terrorism, war, and other events; damage to travel infrastructure due to natural disaster; or global disorder as a result of sudden change in foreign exchange rates. These could affect H.I.S. Group's financial position and operating results.

⑰ Compliance

H.I.S. Group is engaged in business activities under various laws, regulations, commercial practices, social morals, etc., not only in Japan but also in countries where overseas bases are located, and strives to comply with them. However, due to some reasons, such as the introduction of unexpected new regulations, changes in policies of the executive authorities, differences in understanding and interpretation, there is a possibility that it is judged to be a compliance violation. In the event that such a situation is deemed to be a violation of compliance, there is a possibility that H.I.S. Group's financial position and operating results be affected by the occurrence of expenses for handling legal procedures and damage to its brand image.

(5) Management Policy

① Basic Management Policy

Under the philosophy "To work in accordance with the laws of the universe and contribute to the creative development of humanity and world peace", H.I.S. Group aims to build a new business model, contributing to peace in the world not only through tourism but also through other various businesses, as an ever evolving and changing company.

② Management Goals

In addition to sales, operating income, ordinary income as well as growth rate of the entire group and each business, H.I.S. Group considers the share of number of travelers and transaction amount to be important that are indicators of customer satisfaction in the travel business. H.I.S. Group aims to continuously grow and boost profitability in order to capture expanding demand for travel in Asia and establish a firm position.

③ Medium to Long-Term Business Strategy

In responding to H.I.S. Group's business expansion capitalizing on experience in the travel business, H.I.S. Group strives to reorganize its structure, and to build a new business model in establishing competitive advantage in the global market, by aggressively exploring growth markets, including theme parks, hotels, agriculture, energy, robots, and others.

④ Key Issues

The environment surrounding H.I.S. Group is expected to see more intensified competition, such as domestic and overseas travel companies, suppliers that are turning to direct sales, the rise of online travel agencies, and expansion of new travel related services. Under such circumstances, the key issues to be addressed by H.I.S. Group are as follows.

(Pursuing Customer Satisfaction and Providing Safety and Security)

H.I.S. Group recognizes that it is of utmost importance to offer safe, secure and comfortable services to become a global company that is supported by customers and trusted around the world. Fully leveraging its global network and infrastructure, H.I.S. Group strives to offer safe, secure, and high quality products, services and information by creating new value in experience and providing enhanced services. H.I.S. Group also strives to improve its standards of service, both in Japan and overseas, to make its customers happy around the world, and to be supported by them.

(Improving Efficiency)

Under rapidly changing market conditions, H.I.S. Group must respond promptly in accordance with the development of its business model. H.I.S. Group will place priority on efficiency and restructuring in management at all times, by pursuing specialty and exploring growth markets.

(Challenge and Innovation)

Along with the evolution of technologies, not only existing businesses but also various business models are expected to be developed in the future. H.I.S. Group will constantly promote new challenges and innovation in order to advance into new business areas in the future and further develop existing businesses.

2. Current State of H.I.S. Group

H.I.S. Group (H.I.S. Co., Ltd. and its group companies) is comprised of H.I.S. Co., Ltd., 157 subsidiaries and 17 affiliated companies. The main businesses of the principal subsidiaries are outlined in the following tables, which are organized by the business categories used in segment information (Travel Business, Huis Ten Bosch Group, Hotel Business, Transportation Business, Kyushu Sanko Group, and Other).

(1) Travel Business

H.I.S. Group conducts domestic and overseas travel and other ancillary businesses.

Group 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. 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 89 other companies
---	---

(2) Huis Ten Bosch Group

H.I.S. Group owns and operates theme parks located in Sasebo city, Nagasaki prefecture and Gamagori city, Aichi prefecture, and develops new power generation, including renewable energy, as well as operating other ancillary businesses.

Group Companies

Huis Ten Bosch Co., Ltd. HTB ENERGY CO., LTD.	LAGUNA TEN BOSCH Co., LTD. and 14 other companies
--	--

(3) Hotel Business

H.I.S. Group operates hotel and other ancillary businesses in Australia, Guam, Indonesia, Taiwan and Japan.

Group Companies

H.I.S. AUSTRALIA HOLDINGS PTY LTD H.I.S. INVESTMENTS PTY LTD GUAM REEF HOTEL, INC. PT. HARUM INDAH SARI INDONESIA Green World Hotels Co., Ltd.	WATERMARK HOTEL JAPAN CO., LTD The Watermark Hotel Nagasaki Co., Ltd. H.I.S. Hotel Holdings Co., Ltd. and 5 other companies
--	--

(4) Transportation Business

H.I.S. Group operates passenger route, including international charters, and other ancillary businesses.

Group Companies

ASIA ATLANTIC AIRLINES CO., LTD.

(5) Kyushu Sanko Group

Kyushu Sanko Group, whose holding company is KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., operates automobile transport, real estate lease and other businesses.

Group Companies

KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD	And 13 other companies
--	------------------------

(6) Other Businesses

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

H.I.S. SUPER POWER Co., Ltd. conducts power generation and other ancillary businesses.

SYS Inc. develops and operates guest room reservation system and conducts other ancillary businesses.

Group Companies

H.S. Insurance Co., Ltd. SYS Inc.	H.I.S. SUPER POWER Co., Ltd. And 12 other companies
--------------------------------------	--

3. Basic Policy Regarding Selection of Accounting Standards

H.I.S. Group currently adopts Japanese Accounting Standards (Japan GAAP) but will continue to follow the development of International Financial Reporting Standards attentively.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of October 31, 2016	As of October 31, 2017
Assets		
Current assets		
Cash and deposits	159,011	193,039
Accounts receivable - trade	24,063	34,801
Operating accounts receivable	8,084	6,194
Securities	2,998	39
Travel advance payments	24,387	28,062
Prepaid expenses	2,583	2,909
Deferred tax assets	2,628	2,328
Short-term loans receivable	65	5,634
Short-term loans receivable from subsidiaries and associates	78	373
Accounts receivable - other	3,001	2,381
Other	6,705	7,954
Allowance for doubtful accounts	△ 77	△ 234
Total current assets	233,531	283,485
Non-current assets		
Property, plant and equipment		
Buildings	27,324	37,312
Accumulated depreciation	△ 12,974	△ 15,297
Buildings, net	14,349	22,015
Tools, furniture and fixtures	12,222	15,793
Accumulated depreciation	△ 7,861	△ 10,351
Tools, furniture and fixtures, net	4,360	5,442
Vessels	2,127	455
Accumulated depreciation	△ 1,155	△ 392
Vessels, net	971	62
Land	23,441	28,744
Leased assets	5,067	5,127
Accumulated depreciation	△ 2,262	△ 2,426
Leased assets, net	2,804	2,701
Construction in progress	11,083	18,086
Other	13,771	14,913
Accumulated depreciation	△ 8,490	△ 8,964
Other, net	5,280	5,949
Total property, plant and equipment	62,291	83,001
Intangible assets		
Goodwill	268	6,237
Other	5,288	11,428
Total intangible assets	5,556	17,666
Investments and other assets		
Investment securities	1,704	10,957
Shares of subsidiaries and associates	6,681	1,681
Investments in capital of subsidiaries and associates	74	632
Long-term loans receivable	6,557	1,371
Long-term loans receivable from subsidiaries and associates	85	128
Net defined benefit asset	318	622
Deferred tax assets	3,355	4,362
Guarantee deposits	6,758	7,643
Other	5,492	11,210
Allowance for doubtful accounts	△ 206	△ 181
Total investments and other assets	30,822	38,427
Total non-current assets	98,670	139,095
Deferred assets	183	227
Total assets	332,385	422,809

(Millions of yen)

	As of October 31, 2016	As of October 31, 2017
Liabilities		
Current liabilities		
Operating accounts payable	18,744	23,590
Short-term loans payable	8,915	7,474
Current portion of long-term loans payable	583	1,847
Accounts payable - other	2,487	3,199
Accrued expenses	3,004	10,049
Income taxes payable	829	3,929
Accrued consumption taxes	595	724
Travel advance received	53,293	58,437
Lease obligations	925	864
Provision for bonuses	2,951	4,077
Provision for directors' bonuses	106	162
Other	10,368	17,509
Total current liabilities	102,805	131,866
Non-current liabilities		
Bonds payable	20,000	40,000
Convertible bond-type bonds with subscription rights to shares	20,113	20,073
Long-term loans payable	77,042	101,603
Deferred tax liabilities	4,754	4,786
Net defined benefit liability	6,886	7,588
Provision for directors' retirement benefits	788	861
Provision for repairs	761	159
Lease obligations	2,283	2,211
Other	1,808	2,410
Total non-current liabilities	134,440	179,694
Total liabilities	237,245	311,561
Net assets		
Shareholders' equity		
Capital stock	11,000	11,000
Capital surplus	3,665	3,581
Retained earnings	80,988	92,731
Treasury shares	△ 14,162	△ 23,875
Total shareholders' equity	81,491	83,437
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△ 152	283
Deferred gains or losses on hedges	△ 546	265
Foreign currency translation adjustment	△ 744	1,716
Remeasurements of defined benefit plans	△ 455	70
Total accumulated other comprehensive income	△ 1,899	2,336
Subscription rights to shares	77	252
Non-controlling interests	15,470	25,221
Total net assets	95,139	111,247
Total liabilities and net assets	332,385	422,809

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended October 31, 2016	Fiscal year ended October 31, 2017
Net sales	523,705	606,024
Cost of sales	418,661	491,285
Gross profit	105,044	114,738
Selling, general and administrative expenses	90,769	98,822
Operating profit	14,274	15,915
Non-operating income		
Interest income	1,693	1,668
Foreign exchange gains	—	2,275
Subsidy income	350	510
Other	954	1,074
Total non-operating income	2,998	5,529
Non-operating expenses		
Interest expenses	337	458
Foreign exchange losses	6,798	—
Share of loss of entities accounted for using equity method	751	69
Loss (gain) on sales of shares of subsidiaries and associates-Opec	—	216
Other	737	1,052
Total non-operating expenses	8,624	1,797
Ordinary profit	8,648	19,647
Extraordinary income		
Gain on step acquisitions	—	2,009
Total extraordinary income	—	2,009
Extraordinary losses		
Loss on sales of non-current assets	—	642
Impairment loss	3,541	284
Total extraordinary losses	3,541	926
Profit before income taxes	5,107	20,730
Income taxes - current	4,103	5,970
Income taxes - deferred	△ 301	△ 1,074
Total income taxes	3,801	4,895
Profit	1,305	15,835
Profit attributable to non-controlling interests	1,038	2,575
Profit attributable to owners of parent	267	13,259

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended October 31, 2016	Fiscal year ended October 31, 2017
Profit	1,305	15,835
Other comprehensive income		
Valuation difference on available-for-sale securities	△ 204	439
Deferred gains or losses on hedges	△ 95	811
Foreign currency translation adjustment	△ 5,906	2,842
Remeasurements of defined benefit plans, net of tax	△ 227	582
Share of other comprehensive income of entities accounted for using equity method	△ 799	△ 123
Total other comprehensive income	△ 7,234	4,551
Comprehensive income	△ 5,928	20,386
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△ 6,880	17,494
Comprehensive income attributable to non- controlling interests	951	2,891

(3) Consolidated Statements of Changes in Equity

Fiscal year ended October 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,000	3,665	82,150	△2,535	94,280
Changes of items during period					
Dividends of surplus			△1,426		△1,426
Profit attributable to owners of parent			267		267
Purchase of treasury shares				△11,763	△11,763
Disposal of treasury shares				136	136
Change of scope of consolidation			△2		△2
Capital increase of consolidated subsidiaries		△0			△0
Purchase of shares of consolidated subsidiaries					—
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	△0	△1,161	△11,627	△12,788
Balance at end of current period	11,000	3,665	80,988	△14,162	81,491

	Accumulated other comprehensive income					Subscription rights to shares	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 current period	49	△449	5,878	△230	5,248	—	14,461	113,990
Changes of items during period								
Dividends of surplus					—			△1,426
Profit attributable to owners of parent					—			267
Purchase of treasury shares					—			△11,763
Disposal of treasury shares					—			136
Change of scope of consolidation					—			△2
Capital increase of consolidated subsidiaries					—			△0
Purchase of shares of consolidated subsidiaries					—			—
Change in ownership interest of parent due to transactions with non-controlling interests					—			0
Net changes of items other than shareholders' equity	△202	△96	△6,623	△225	△7,147	77	1,008	△6,061
Total changes of items during period	△202	△96	△6,623	△225	△7,147	77	1,008	△18,850
Balance at end of current period	△152	△546	△744	△455	△1,899	77	15,470	95,139

Fiscal year ended October 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholder s' equity
Balance at beginning of current period	11,000	3,665	80,988	△14,162	81,491
Changes of items during period					
Dividends of surplus			△1,361		△1,361
Profit attributable to owners of parent			13,259		13,259
Purchase of treasury shares				△9,999	△9,999
Disposal of treasury shares		0		287	287
Change of scope of consolidation			△155		△155
Capital increase of consolidated subsidiaries					—
Purchase of shares of consolidated subsidiaries		△83			△83
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	△83	11,742	△9,712	1,946
Balance at end of current period	11,000	3,581	92,731	△23,875	83,437

	Accumulated other comprehensive income					Subscription rights to shares	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 current period	△152	△546	△744	△455	△1,899	77	15,470	95,139
Changes of items during period								
Dividends of surplus					—			△1,361
Profit attributable to owners of parent					—			13,259
Purchase of treasury shares					—			△9,999
Disposal of treasury shares					—			287
Change of scope of consolidation					—			△155
Capital increase of consolidated subsidiaries					—			—
Purchase of shares of consolidated subsidiaries					—			△83
Change in ownership interest of parent due to transactions with non-controlling interests					—			0
Net changes of items other than shareholders' equity	435	811	2,461	526	4,235	175	9,750	14,160
Total changes of items during period	435	811	2,461	526	4,235	175	9,750	16,107
Balance at end of current period	283	265	1,716	70	2,336	252	25,221	111,247

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended October 31, 2016	Fiscal year ended October 31, 2017
Cash flows from operating activities		
Profit before income taxes	5,107	20,730
Depreciation	6,544	7,104
Impairment loss	3,541	284
Amortization of goodwill	201	354
Increase (decrease) in provision for bonuses	△ 324	1,046
Increase (decrease) in provision for directors' bonuses	△ 49	54
Increase (decrease) in net defined benefit liability	619	1,412
Increase (decrease) in provision for directors' retirement benefits	44	71
Increase (decrease) in provision for repairs	△ 259	△ 592
Interest and dividend income	△ 1,737	△ 1,699
Share of (profit) loss of entities accounted for using equity method	751	69
Foreign exchange losses (gains)	3,616	△ 3,031
Interest expenses	337	458
Loss (gain) on sales of property, plant and equipment	—	642
Loss (gain) on sales of shares of subsidiaries and associates	—	216
Loss (gain) on step acquisitions	—	△ 2,009
Other loss (gain)	33	179
Decrease (increase) in notes and accounts receivable - trade	△ 6,526	1,121
Decrease (increase) in travel advance payments	△ 2,911	△ 5,185
Decrease (increase) in other assets	△ 1,230	△ 689
Increase (decrease) in notes and accounts payable - trade	△ 1,593	△ 3,270
Increase (decrease) in accrued consumption taxes	△ 317	271
Increase (decrease) in accrued expenses	150	3,061
Increase (decrease) in travel advances received	3,704	5,894
Increase (decrease) in other liabilities	1,508	7,849
Subtotal	11,210	34,345
Interest and dividend income received	1,479	1,759
Interest expenses paid	△ 309	△ 442
Income taxes (paid) refund	△ 7,229	△ 3,292
Net cash provided by (used in) operating activities	5,149	32,369

(Millions of yen)

	Fiscal year ended October 31, 2016	Fiscal year ended October 31, 2017
Cash flows from investing activities		
Payments into time deposits	△ 57,392	△ 43,132
Proceeds from withdrawal of time deposits	49,732	51,799
Purchase of securities	△ 3,000	—
Proceeds from redemption of securities	13,345	3,300
Purchase of property, plant and equipment and intangible assets	△ 13,309	△ 24,189
Proceeds from sales of property, plant and equipment and intangible assets	133	642
Purchase of investment securities	△ 1,234	△ 8,366
Proceeds from sales of investment securities	969	48
Purchase of shares of subsidiaries and associates	△ 1,696	△ 808
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△ 180	△ 5,856
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	8,465
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	△ 224
Payments of loans receivable	△ 1,632	△ 921
Collection of loans receivable	1,674	639
Payments for guarantee deposits	△ 837	△ 687
Proceeds from collection of guarantee deposits	512	612
Other, net	△ 2,524	△ 7,529
Net cash provided by (used in) investing activities	△ 15,440	△ 26,209
Cash flows from financing activities		
Increase in short-term loans payable	80,055	55,640
Decrease in short-term loans payable	△ 78,000	△ 58,920
Proceeds from long-term loans payable	63,465	26,000
Repayments of long-term loans payable	△ 21,673	△ 876
Proceeds from issuance of bonds	—	19,899
Purchase of treasury shares	△ 11,791	△ 10,001
Cash dividends paid	△ 1,426	△ 1,361
Dividends paid to non-controlling interests	△ 94	△ 22
Proceeds from share issuance to non-controlling shareholders	74	—
Other, net	△ 426	△ 586
Net cash provided by (used in) financing activities	30,181	29,769
Effect of exchange rate change on cash and cash equivalents	△ 3,460	2,886
Net increase (decrease) in cash and cash equivalents	16,430	38,816
Cash and cash equivalents at beginning of period	113,330	129,842
Increase in cash and cash equivalents from newly consolidated subsidiary	81	—
Cash and cash equivalents at end of period	129,842	168,659

(5) Segment Information

Information on net sales, incomes or losses by reported segment

The fiscal year ended October 31, 2016 (November 1, 2015 – October 31, 2016)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Eliminations & Corporate *2	Consolidated *3
	Travel Business	Huis Ten Bosch Group	Hotel Business	Transportation Business	Kyushu Sanko Group	Subtotal				
Sales										
Revenues from external customers	465,536	30,283	5,563	2,045	20,230	523,660	45	523,705	—	523,705
Transactions with other segments	235	1,580	1,045	1,279	17	4,158	—	4,158	△ 4,158	—
Net sales	465,772	31,863	6,609	3,325	20,248	527,819	45	527,864	△ 4,158	523,705
Operating profit (loss △)	9,038	7,485	556	△ 834	89	16,334	30	16,364	△ 2,090	14,274
Assets	190,723	37,733	12,197	1,017	41,367	283,039	2,035	285,075	47,309	332,385
Other items										
Depreciation and amortization	2,284	1,827	839	29	1,009	5,990	15	6,005	499	6,504
Investments in entities accounted for using equity method	5,004	—	—	—	—	5,004	404	5,408	—	5,408
Increase in property, plant and equipment and intangible assets	3,740	6,332	166	5	3,475	13,721	680	14,401	99	14,500

Notes:

1. Other Businesses refer to the business segment not included in the reported segment, including real estate businesses among others.
2. The details of Eliminations & Corporate are as follows:
 - (1) Operating profit (loss △) of △ 2,090 million yen are corporate-wide expenses not included in each reported segment and refer to administrative expenses at the headquarters, not included in the reported segment.
 - (2) Assets of 47,309 million yen include intersegment transactions of △ 2,007 million yen and corporate-wide assets of 49,317 million yen, not included in each reported segment. Corporate-wide assets refer to surplus fund management (cash and cash equivalents, and securities) at the headquarters, not included in the reported segment.
 - (3) Depreciation and amortization of 499 million yen are corporate-wide expenses not included in each reported segment and refer to depreciation and amortization at the headquarters, not included in the reported segment.
 - (4) Increase in Property, plant and equipment and intangible assets of 99 million yen is capital investment at the headquarters, not included in the reported segment.
3. Operating profits or losses are adjusted with operating incomes in the consolidated financial statements.

The fiscal year ended October 31, 2017 (November 1, 2016 – October 31, 2017)

(Millions of yen)

	Reportable segments						Other Businesses *1	Total	Eliminations & Corporate *2	Consolidated *3
	Travel Business	Huis Ten Bosch Group	Hotel Business	Transportation Business	Kyushu Sanko Group	Subtotal				
Sales										
Revenues from external customers	535,512	35,239	7,213	3,180	22,259	603,406	2,617	606,024	—	606,024
Transactions with other segments	1,313	1,541	963	92	22	3,933	1	3,934	△ 3,934	—
Net sales	536,826	36,780	8,177	3,272	22,282	607,339	2,618	609,958	△ 3,934	606,024
Operating profit (loss △)	9,900	7,688	764	△ 840	564	18,077	1	18,078	△ 2,162	15,915
Assets	210,271	46,723	31,525	385	49,186	338,091	9,652	347,743	75,065	422,809
Other items										
Depreciation and amortization	2,693	1,869	928	17	958	6,468	90	6,558	468	7,027
Investments in entities accounted for using equity method	201	—	—	—	—	201	—	201	—	201
Increase in property, plant and equipment and intangible assets	2,762	3,137	5,744	9	8,713	20,368	5,419	25,788	19	25,807

Notes:

1. Other Businesses refer to the business segment not included in the reported segment, including casualty insurance business and real estate businesses among others.
2. The details of Eliminations & Corporate are as follows:
 - (1) Operating profit (loss △) of △ 2,162 million yen are corporate-wide expenses not included in each reported segment and refer to administrative expenses at the headquarters, not included in the reported segment.
 - (2) Assets of 75,065 million yen include intersegment transactions of △ 1,532 million yen and corporate-wide assets of 76,598 million yen, not included in each reported segment. Corporate-wide assets refer to surplus fund management (cash and cash equivalents, and securities) at the headquarters, not included in the reported segment.
 - (3) Depreciation and amortization of 468 million yen are corporate-wide expenses not included in each reported segment and refer to depreciation and amortization at the headquarters, not included in the reported segment.
 - (4) Increase in Property, plant and equipment and intangible assets of 19 million yen is capital investment at the headquarters, not included in the reported segment.
3. Operating profits or losses are adjusted with operating incomes in the consolidated financial statements.