

## Consolidated Financial Results for the Fiscal Year Ended October 31, 2018 (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, 2018 (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 11, 2018

Company Name	H.I.S. Co., Ltd.		Listing Market TSE
Stock Code	9603	URL	<a href="https://www.his.co.jp/en/">https://www.his.co.jp/en/</a>
Representative Director	(Title) Chairman (CEO)	(Name)	Hideo Sawada
Contact	(Title) Director, Senior Corporate Officer and CFO	(Name)	Shigeru Nakatani
Scheduled Date to Hold GSM	January 25, 2019	Scheduled Date to Start Dividend Payment	January 28, 2019
Scheduled Date to File Securities Report	January 28, 2019		
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, 2018 (November 1, 2017 – October 31, 2018)

#### (1) Consolidated Operating Results (% shows year-over-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, 2018	728,554	20.2	18,024	13.3	19,440	Δ 1.1	10,971	Δ 17.3
October 31, 2017	606,024	15.7	15,915	11.5	19,647	127.2	13,259	—

(\*Note) Comprehensive Income

FY ended Oct 31, 2018 JPY 11,525 million (Δ 43.5%)      FY ended Oct 31, 2017 JPY 20,386 million(—%)

Fiscal Year Ended	EPS	Diluted EPS	Return on Equity	Ordinary Profit on Total assets	Operating Profit on Net Sales
	JPY	JPY	%	%	%
October 31, 2018	191.30	165.42	12.6	4.1	2.5
October 31, 2017	219.52	204.60	16.0	5.2	2.6

(\*Reference) Equity in earnings of affiliated companies

FY ended Oct 31, 2018 JPY 10 million      FY ended Oct 31, 2017 JPY Δ 69 million

#### (2) Consolidated Financial Position

Fiscal Year Ended	Total Assets	Net Assets	Equity Ratio	BPS
	JPY million	JPY million	%	JPY
October 31, 2018	515,792	115,559	17.1	1,538.56
October 31, 2017	422,809	111,247	20.3	1,466.13

(\*Reference) Shareholders' Equity:

FY ended Oct 31, 2018 JPY 88,146 million      FY ended Oct 31, 2017 JPY Δ 85,773 million

#### (3) Consolidated Cash Flow

Fiscal Year Ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and Cash Equivalents at end of period
	JPY million	JPY million	JPY million	JPY million
October 31, 2018	20,397	Δ 44,841	48,304	191,440
October 31, 2017	32,369	Δ 26,209	29,769	168,659

## 2. Dividend

	Dividend Per Share					Total Dividend Amount	Payout Ratio (Consolidated)	DOE (Consolidated)
	1Q	2Q	3Q	4Q	Total			
	JPY	JPY	JPY	JPY	JPY	JPY million	%	%
Fiscal Year Ended October 31, 2017	—	0.00	—	29.00	29.00	1,707	13.2	2.1
Fiscal Year Ended October 31, 2018	—	0.00	—	29.00	29.00	1,669	15.2	1.9
Fiscal Year Ending October 31, 2019 (Forecast)	—	0.00	—	30.00	30.00		15.6	

(Note) Total dividend for the fiscal year ended October 31, 2017 includes JPY 10 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, 2018 includes JPY 8 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, 2019 (November 1, 2018 – October 31, 2019)

(% shows year-over-year changes)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		EPS
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
First 6 months	374,000	9.6	8,400	10.2	9,000	15.2	4,000	12.5	69.82
Full Year	786,000	7.9	20,000	11.0	21,000	8.0	11,000	0.3	192.00

### (\*Notes)

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

2 new additions: JONVIEW CANADA INC., HHH.USA. INC.

2 removals: H.I.S. AUSTRALIA HOLDINGS PTY LTD, H.I.S. INVESTMENTS PTY 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, 2018	68,522,936 shares
As of October 31, 2017	68,522,936 shares

2) Number of Treasury Stocks at the End of Period

As of October 31, 2018	11,231,540 shares
As of October 31, 2017	10,019,506 shares

3) Average Number of Shares during the Period

Fiscal year ended October 31, 2018	57,352,735 shares
Fiscal year ended October 31, 2017	60,401,850 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 (282,100 shares as of October 31, 2018 and 363,100 shares as of October 31, 2017) and the number of treasury stock deducted in calculating the average number of shares during the period (321,654 shares during November 2017 – October 2018 and 405,146 shares during November 2016 – October 2017).

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended October 31, 2018 (November 1, 2017 – October 31, 2018)

(1) Non-Consolidated Operating Results

(% shows year-over-year changes)

Fiscal Year Ended	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
October 31, 2018	459,627	7.2	4,096	58.6	6,557	41.2	2,038	—
October 31, 2017	428,734	8.5	2,582	7.5	4,642	—	△108	—

Fiscal Year Ended	EPS		Diluted EPS	
	JPY		JPY	
October 31, 2018	35.53		30.25	
October 31, 2017	△1.80		—	

(2) Non-Consolidated Financial Position

Fiscal Year Ended	Total Assets		Net Assets		Equity Ratio		BPS	
	JPY million		JPY million		%		JPY	
October 31, 2018	322,107		19,099		5.8		325.85	
October 31, 2017	264,887		23,593		8.8		398.96	

(\*Reference) Shareholders' Equity:

FY ended Oct 31, 2018 JPY 18,668 million FY ended Oct 31, 2017 JPY 23,340 million

(\* ) This document is exempt from audit conducted by certified public accountants or an audit corporation.

(\* ) 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.

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## 1. Summary of Financial Results

### (1) Analysis of Operating Results

#### 1) Operating Results for the Fiscal Year under Review (FY ended October 31, 2018)

Regarding the business environment during the fiscal year ended October 31, 2018, the international situation faced geopolitical risks such as impacts of trade problems and successive natural disasters on the economy, but domestic economic conditions in Japan showed moderate recovery where the employment and income environments continued to improve as well as positive effects of various government policies.

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

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

#### (Travel Business)

Although weather risks such as heavy rainfall, floods and heat waves were noticeable worldwide, the travel market during the fiscal year under review was brisk due to the improvement of public security at major tourist spots. The number of Japanese departing from Japan rose 4.8% year on year to 18.66 million, and the same level as the record high number in the year ended October 31, 2012. The number of foreign visitors to Japan remained strong at 31 million, rose 11.9% year on year, although temporary deceleration was seen in September. (Source: JNTO).

The travel business in Japan was strong due to continued demand for tours to Europe, recovery of tours to South Korea which had been sluggish due to the East Asian situation, and expansion of tours to Okinawa with strengthened original contents such as dedicated lounge, although weakness of tours to Guam due to reduction of number of flights, the temporary closure of Kansai airport, the earthquake, typhoons, etc., had a negative impact. The inbound business was also strong due to successful efforts such as expansion of tours in line with the shift to individual travel. The online business also performed well as a result of improvement in response to search trends, such as the new establishment of directional pages. Regarding the corporate client business, H.I.S. Group promoted solution business and worked to shift to a more profitable business model.

In overseas travel business, JONVIEW CANADA INC., a major tour operator in Canada, became H.I.S. Group's subsidiary with a view to further strengthening the travel business and expanding business in North America. JONVIEW CANADA INC. contributed greatly to expansion of overseas business together with Merit Holdings Inc. and GROUP MIKI HOLDINGS LIMITED, which had become subsidiaries in the previous fiscal year. Subsidiaries in various countries worked to strengthen the organization by setting up central sales headquarters in major areas such as Southeast Asia and Europe, with a view to accelerating the development of overseas business in the future.

In the meantime, the number of H.I.S. Group's sales locations was 276 in Japan and 272 in 157 cities in 70 countries outside of Japan as of the end of October 2018 as a result of opening new locations as well as closure and consolidation.

As a result of the above, the Travel Business recorded net sales of 651,303 million yen (an increase of 21.3% from a year earlier), and operating profit of 12,146 million yen (an increase of 22.7%).

#### (Huis Ten Bosch Group)

Huis Ten Bosch focused on enhancing experience value by providing only one and number one contents that can be enjoyed by three generations, centering on "Kingdom of Flowers", "Kingdom of Lights", "Kingdom of Music and Shows", "Kingdom of Game", "Kingdom of Health and Beauty" and "Kingdom of Robots".

Especially during the fiscal year under review, Huis Ten Bosch focused on uninhabited island development and opened "Jurassic Island" in July. Contents that can be enjoyed regardless of generations, such as walk-through type AR shooting attraction in the uninhabited island, the first in Japan, and walking on the island have been well accepted. While such contents gained popularity, the number of visitors was 2,722,000, down 5.5% from a year earlier due to weather problems on busy days in the first half of the fiscal year under review, as well as the extremely hot summer days of the busy month in the second half of the fiscal year under review.

As a result of the above, Huis Ten Bosh Group recorded net sales of 43,690 million yen (an increase of 18.8% from a year eariler) and operating profit of 7,273 million yen (a decrease of 5.4%) due to decrease in the number of visitors as well as increased fuel costs at HTB ENERGY CO., LTD. that is engaged in electric power retail business.

(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 Bosch Group, "Henn na Hotel", aiming to be the most efficient hotel in the world, is the mainstream of business, opening "Henn na Hotel Tokyo Asakusabashi" and "Henn na Hotel Tokyo Akasaka" in July. Also, the full-year contribution of Green World Hotels Co., Ltd. (Taiwan), which had become a consolidated subsidiary in the 3<sup>rd</sup> quarter of the previous fiscal year, had a large positive impact on the results.

As a result of the above, Hotel Business recorded net sales of 12,039 million yen (an increase of 47.2% from a year earlier), operating profit of 808 million yen (an increase of 5.7%) and EBITDA of 2,117 million yen (an increase of 23.6%). The real estate of Watermark Hotel Sapporo and Watermark Hotel Australia, which had been included in this business segment, were sold to a 3<sup>rd</sup> party.

(The Kyushu Sanko Group)

The Kyushu Sanko Group recorded net sales of 21,641 million yen (a decrease of 2.9% from a year earlier) and operating profit of 398 million yen (a decrease of 29.3%) as a result of weak business due to the reactionary slump from the recovery demand after the Kumamoto earthquake last year as well as increase in diesel oil costs. On the other hand, the Sakuramachi redevelopment project progressed as planned.

As a result of the above, H.I.S. Group recorded net sales of 728,554 million yen (an increase of 20.2% from a year earlier), a record high, operating profit of 18,024 million yen (an increase of 13.3%), ordinary profit of 19,440 million (a decrease of 1.1%), and net profit attributable to owners of parent of 10,971 million yen (a decrease of 17.3%).

## 2) Financial Forecasts for the Fiscal Year Ending October 31, 2019

The uncertainty surrounding the world such as the geopolitical risk spreading all over the world and the unstable economic forecasts such as US-China trade friction is expected to continue, which is expected to continue to affect H.I.S. Group's businesses. In Japan, although there is concern that demand will be slowed due to unexpected natural disasters and consumption tax hike, a moderate recovery is expected from the expectations of large consecutive holidays and improvements in income and employment environment. On the other hand, 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 aims to improve efficiency by making use of technology, aiming to be a global standard company and further improving financial performance.

Huis Ten Bosch aims for continuous appeal, such as content development that can be enjoyed throughout the year in the uninhabited island, and opening of "Henn-na Hotel" South Arm.

In the Hotel Business, which H.I.S. Group is aiming to strengthen as a third pillar, "Henn-na Hotel" are expected to open mainly in Western Japan such as Fukuoka, Osaka and Kyoto, which will continue to accelerate its development.

Regarding Kyushu Sanko Group, the Sakuramachi Redevelopment Project will be completed as planned, and the buildings are expected to start their operations in September.

## (2) Analysis of Financial Position

### 1) Assets, Liabilities, and Net Assets

Total assets as of the end of October 2018 increased by 92,983 million yen as compared to the end of October 2017 to 515,792 million yen. This was due mainly to 33,101 million yen increase in property, plant and equipment, 20,921 million yen increase in cash and deposits, 9,574 million yen increase in notes and accounts receivable-trade, and 6,285 million yen increase in travel advance payments.

Total liabilities as of the end of October 2018 increased by 88,670 million yen as compared to the end of October 2017 to 400,232 million yen. This was due mainly to 31,385 million yen increase in loans payable, 13,342 million yen increase in operating accounts payable, 9,907 million yen increase in travel advance received, and 25,068 million yen increase in convertible bond-type bonds with share acquisition rights.

Net assets as of the end of October 2018 increased by 4,312 million yen as compared to the end of October 2017 to 115,559 million yen. This was due mainly to 9,256 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, partially offset by 4,999 million yen of acquisition of treasury shares based on the resolution of board of directors on October 31, 2017.

Capital ratio as of the end of October 2018 was 17.1% as compared to 20.3% as of the end of October 2017. This was due to fund raising through bonds payable, convertible bond-type bonds with share acquisition rights and loans payable. Capital ratio excluding the impact of the fund raising was 30.6% as of the end of October 2018 and 34.1% as of the end of October 2017.

### 2) Status of Cash Flow

The balance of cash and cash equivalents (hereinafter referred to as "funds") at the end of October 2018 increased by 22,781 million yen to 191,440 million yen. Cash flows from operating activities was 20,397 million yen, cash flows from investing activities was 44,841 million yen, and cash flows from financing activities was 48,304 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 20,397 million yen. This was due mainly to 20,695 million yen of profit before income taxes and 9,676 million yen increase in travel advance received, partially offset by 8,009 million yen payment of income taxes.

Cash flow generated by operating activities during the previous fiscal year (ended October 2017) 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 as 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 payment.

As a result of the above, cash flows from operating activities during the fiscal year under review was 11,972 million yen less than the previous fiscal year.

#### (Cash flows from investing activities)

Cash flow used by investing activities during the fiscal year under review was 44,841 million yen. This was due mainly to 45,440 million yen purchases of property, plant and equipment and intangible assets, and 6,973 million yen purchase of investment securities, partially offset by 9,709 million yen sale of tangible and intangible fixed assets.

Cash flow used by investing activities during the previous fiscal year (ended October 2017) was 26,209 million yen. This was due mainly to 43,132 million yen expenditure for time deposits, 24,189 million yen purchases of property, plant and equipment and intangible 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.

As a result of the above, cash flows from investing activities during the fiscal year under review was 18,631 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 48,304 million yen. This was due mainly to 59,020 million yen of proceeds from long- and short-term loans payable and 25,100 (Note) million yen of issuance of convertible bond-type bonds with shares acquisition rights, partially offset by 27,646 million yen repayments of long- and short-term loans payable, 5,001 million yen of purchase of treasury shares, and 1,707 million yen of dividend payment

Cash flow generated by financing activities during the previous fiscal year (ended October 2017) was 29,769 million yen. This was due mainly to 81,640 million yen of proceeds from long- and short-term loans payable and 19,899 million yen of issuance of bonds payable, partially offset by 59,796 million yen repayments of long- and short-term loans payable, 10,001 million yen of purchase of treasury shares, and 1,361 million yen of dividends payment

As a result of the above, cash flows from financing activities during the fiscal year under review was 18,534 million yen more than the previous fiscal year.

(Note) Issuance proceeds minus related issuance costs

(Reference) Cash Flow Related Indicators

	Fiscal year ended October 31, 2014	Fiscal year ended October 31, 2015	Fiscal year ended October 31, 2016	Fiscal year ended October 31, 2017	Fiscal year ended October 31, 2018
Equity Ratio (%) (*2)	31.5	32.3	23.9	20.3	17.1
Market Value Equity Ratio (%)	66.0	86.0	53.0	52.5	38.0
Interest-Bearing Debt to Cash Flow Ratio (%)	204.9	524.0	2,131.2	475.7	910.2
Interest Coverage Ratio (times)	144.3	51.2	16.6	73.2	36.9

Equity Ratio: shareholders' equity / total assets

Market Value Equity 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 bonds payable, convertible bond type bonds with subscription rights to shares and loans payable. The capital adequacy ratio excluding the impact of this financing is as follows.

	Fiscal year ended October 31, 2014	Fiscal year ended October 31, 2015	Fiscal year ended October 31, 2016	Fiscal year ended October 31, 2017	Fiscal year ended October 31, 2018
Equity Ratio Excluding Impact of Financing (%)	41.1	44.2	38.7	34.1	30.6

(\*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 to 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, 4,999 million yen of treasury stock was acquired during the fiscal year under review.

For the next fiscal year ending October 2019, H.I.S. Group plans to pay an annual common dividend of 30 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 actually occur.

Matters regarding forward-looking information described in this section are based on management's judgment as of December 11, 2018, when the financial results and forecasts were announced. Furthermore, business and other risks are not confined only to the following.

#### 1) Regional Character of Business Development

The Travel Business represents 89.4% of H.I.S. Group sales by business segment. Also, sales by region are also concentrated in Japan, at 83.0%. Changes in the environment for the travel business in Japan therefore have a possibility to affect H.I.S. Group's financial position, operating results and others.

#### 2) Changes in the External Environments

As an environment surrounding H.I.S. Group's businesses, there are changes in the global situation due to terrorism and war, damage to tourism and infrastructure due to natural disasters, epidemics of infectious diseases, and turmoil of the global situation due to rapid fluctuations in exchange rates. The occurrence of these events have a possibility to affect H.I.S. Group's financial position, operating results and others.

#### 3) Flight Operations

In the event of an aircraft accident, the aviation demand is expected to be sluggish, which has a possibility to affect H.I.S. Group's financial position, operating results, and others.

#### 4) 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.

#### 5) Changes in Fuel Surcharges

Parent company's sales accounted for 61.0% of H.I.S. Group sales, and overseas travel represented 86.6% 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.

#### 6) 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.

#### 7) 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.

#### 8) 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.

#### 9) 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 its customers and an increase in repair costs.

#### 10) 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. 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. 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, 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) 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, operating results and others.

## 13) 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, operating results and others be affected by the occurrence of expenses for handling legal procedures and damage to its brand image.

## 14) 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.

## 15) 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.

## (5) Management Policy

### 1) Basic Management Policy

Under the philosophy "To comply with the law of nature 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 travel but also through other various businesses, as an ever evolving and changing company.

### 2) Management Goals

In addition to sales, operating profit, ordinary profit 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 on a global basis and to 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 travel, theme parks, hotels, electric power, robots, and others.

#### 4)Key Issues

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.

##### (Responding to the Evolution of Business Model)

The market environment surrounding H.I.S. Group is rapidly changing, including domestic and overseas travel agencies, direct air ticket sales by suppliers, the rise of online travel agents, and the expansion of new travel-related services. Under such circumstances, it will be necessary to respond quickly to the evolution of the future business model. H.I.S. Group strives to improve efficiency by utilizing technology, promote expansion into growth markets, and improve productivity.

##### (Promotion of Globalization)

While new business and services are being created all over the world, H.I.S. Group will promote business expansion with a global perspective to enter new business areas in the future and to further develop existing businesses, and at the same time will cultivate human resources who will be responsible for global 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., 171 subsidiaries and 20 affiliated companies. The main businesses of H.I.S. Group and the positioning of H.I.S. Co., Ltd. and its group companies in these businesses is as follows.

During the third quarter of the previous consolidated fiscal year, H.I.S. Co., Ltd. sold a portion of the shares of ASIA ATLANTIC AIRLINES CO., LTD., which was re-categorized from a consolidated subsidiary to an affiliated company accounted for by the equity method. As a result, the "Transportation Business" segment was abolished since the first quarter consolidated accounting period of the current fiscal year under review.

The five business divisions of Travel Business, Huis Ten Bosch Group, Hotel Business, Kyushu Sanko Group, and Other Business are the same as the business segments in "4. Consolidated Financial Statements and Major Notes (5) Notes on Consolidated Financial Statements (Segment Information, etc.)".

### (1) Travel Business

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

#### Group Companies

HAWAII HIS CORPORATION	H.I.S. EUROPE LIMITED
H.I.S. INTERNATIONAL TOURS (NY) INC.	HIS INTERNATIONAL TOURS FRANCE
H.I.S. GUAM, INC.	H.I.S. Deutschland Touristik GmbH
H.I.S. CANADA INC.	H.I.S. EUROPE ITALY S.R.L.
H.I.S. - MERIT TRAVEL INC.	HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI
JONVIEW CANADA INC.	GROUP MIKI HOLDINGS LIMITED
H.I.S. SAIPAN, 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 99 other companies
H.I.S. AUSTRALIA PTY. LTD.	

### (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.	LAGUNA TEN BOSCH Co., LTD.
HTB ENERGY CO., LTD.	and 13 other companies

### (3) Hotel Business

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

#### Group Companies

H.I.S. Hotel Holdings Co., Ltd.	HHH.USA. INC.
The Watermark Hotel Nagasaki Co., Ltd.	PT. HARUM INDAH SARI INDONESIA
Green World Hotels Co., Ltd.	
GUAM REEF HOTEL, INC.	and 9 other companies

#### (4) 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 16 other companies

#### (5) Other Businesses

H.S. Insurance CO., LTD. handles property and casualty insurance, mainly for overseas travel.

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

H.I.S. Energy Holdings CO., LTD. and H.I.S. SUPER POWER CO., LTD. conducts energy related businesses.

ASIA ATLANTIC AIRLINES CO., LTD., had been engaged in international charter passenger route business and its ancillary business, but has stopped its business and is proceeding with liquidation procedure.

##### Group Companies

H.S. Insurance Co., LTD

SYS Inc.

H.I.S. Energy Holdings CO., LTD.

H.I.S. SUPER POWER Co., Ltd.

ASIA ATLANTIC AIRLINES CO., LTD

and 13 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, 2017	As of October 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	193,039	213,960
Notes and accounts receivable - trade	34,801	44,376
Operating accounts receivable	6,194	5,048
Securities	39	89
Travel advance payments	28,062	34,347
Prepaid expenses	2,909	2,423
Deferred tax assets	2,328	3,187
Short-term loans receivable	5,634	1,391
Short-term loans receivable from subsidiaries and associates	373	196
Accounts receivable - other	2,381	5,604
Other	7,954	12,942
Allowance for doubtful accounts	△ 234	△ 451
<b>Total current assets</b>	<b>283,485</b>	<b>323,116</b>
Non-current assets		
Property, plant and equipment		
Buildings	37,312	32,888
Accumulated depreciation	△ 15,297	△ 13,224
Buildings, net	22,015	19,663
Tools, furniture and fixtures	15,793	17,066
Accumulated depreciation	△ 10,351	△ 10,902
Tools, furniture and fixtures, net	5,442	6,163
Land	28,744	32,685
Leased assets	5,127	5,196
Accumulated depreciation	△ 2,426	△ 2,171
Leased assets, net	2,701	3,025
Construction in progress	18,086	48,455
Other	15,368	15,848
Accumulated depreciation	△ 9,356	△ 9,739
Other, net	6,011	6,108
<b>Total property, plant and equipment</b>	<b>83,001</b>	<b>116,102</b>
Intangible assets		
Goodwill	6,237	8,725
Other	11,428	10,795
<b>Total intangible assets</b>	<b>17,666</b>	<b>19,520</b>
Investments and other assets		
Investment securities	10,957	15,895
Shares of subsidiaries and associates	1,681	2,434
Investments in capital of subsidiaries and associates	632	179
Long-term loans receivable	1,371	4,479
Long-term loans receivable from subsidiaries and associates	128	1,218
Net defined benefit asset	622	551
Deferred tax assets	4,362	3,874
Guarantee deposits	7,643	9,125
Other	11,210	19,050
Allowance for doubtful accounts	△ 181	△ 190
<b>Total investments and other assets</b>	<b>38,427</b>	<b>56,620</b>
<b>Total non-current assets</b>	<b>139,095</b>	<b>192,243</b>
Deferred assets	227	432
<b>Total assets</b>	<b>422,809</b>	<b>515,792</b>

(Millions of yen)

	As of October 31, 2017	As of October 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	23,590	36,933
Short-term loans payable	7,474	17,992
Current portion of bonds	—	10,000
Current portion of Convertible bond-type bonds with share acquisition rights	—	20,033
Current portion of long-term loans payable	1,847	11,008
Accounts payable - other	3,199	3,704
Accrued expenses	10,049	3,643
Income taxes payable	3,929	3,752
Accrued consumption taxes	724	1,019
Travel advance received	58,437	68,344
Lease obligations	864	935
Provision for bonuses	4,077	4,915
Provision for directors' bonuses	162	177
Provision for loss on liquidation of subsidiaries and associates	—	2,163
Other	17,509	29,314
<b>Total current liabilities</b>	<b>131,866</b>	<b>213,937</b>
<b>Non-current liabilities</b>		
Bonds payable	40,000	30,000
Convertible bond-type bonds with share acquisition rights	20,073	25,108
Long-term loans payable	101,603	113,309
Deferred tax liabilities	4,786	4,957
Net defined benefit liability	7,588	7,036
Provision for directors' retirement benefits	861	343
Lease obligations	2,211	2,406
Other	2,569	3,133
<b>Total non-current liabilities</b>	<b>179,694</b>	<b>186,295</b>
<b>Total liabilities</b>	<b>311,561</b>	<b>400,232</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	11,000	11,000
Capital surplus	3,581	3,451
Retained earnings	92,731	101,987
Treasury shares	△ 23,875	△ 28,611
<b>Total shareholders' equity</b>	<b>83,437</b>	<b>87,827</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	283	283
Deferred gains or losses on hedges	265	166
Foreign currency translation adjustment	1,716	△ 82
Remeasurements of defined benefit plans	70	△ 49
<b>Total accumulated other comprehensive income</b>	<b>2,336</b>	<b>318</b>
Share acquisition rights	252	431
Non-controlling interests	25,221	26,982
<b>Total net assets</b>	<b>111,247</b>	<b>115,559</b>
<b>Total liabilities and net assets</b>	<b>422,809</b>	<b>515,792</b>



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

## Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended October 31, 2017	Fiscal year ended October 31, 2018
Net sales	606,024	728,554
Cost of sales	491,285	595,185
Gross profit	114,738	133,368
Selling, general and administrative expenses	98,822	115,343
Operating profit	15,915	18,024
Non-operating income		
Interest income	1,668	1,638
Foreign exchange gains	2,275	—
Share of profit of entities accounted for using equity method	—	10
Subsidy income	510	368
Other	1,074	1,774
Total non-operating income	5,529	3,791
Non-operating expenses		
Interest expenses	458	595
Foreign exchange losses	—	564
Share of loss of entities accounted for using equity method	69	—
Loss (gain) on sales of shares of subsidiaries and associates-Opec	216	—
Other	1,052	1,214
Total non-operating expenses	1,797	2,375
Ordinary profit	19,647	19,440
Extraordinary income		
Gain on step acquisitions	2,009	—
Gain on sales of non-current assets	—	4,230
Gain on revision of retirement benefit plan	—	282
Foreign currency translation adjustment account reversal gain	—	595
Total extraordinary income	2,009	5,107
Extraordinary losses		
Loss on sales of non-current assets	642	—
Impairment loss	284	—
Loss on valuation of investment securities	—	330
Provision for loss on liquidation of subsidiaries and associates	—	2,163
Loss OnDisposalOfAffiliateReceivable	—	1,359
Total extraordinary losses	926	3,853
Profit before income taxes	20,730	20,695
Income taxes - current	5,970	7,104
Income taxes - deferred	△ 1,074	△ 40
Total income taxes	4,895	7,064
Profit	15,835	13,630
Profit attributable to non-controlling interests	2,575	2,659
Profit attributable to owners of parent	13,259	10,971

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended October 31, 2017	Fiscal year ended October 31, 2018
Profit	15,835	13,630
Other comprehensive income		
Valuation difference on available-for-sale securities	439	0
Deferred gains or losses on hedges	811	△ 98
Foreign currency translation adjustment	2,842	△ 1,842
Remeasurements of defined benefit plans, net of tax	582	△ 163
Share of other comprehensive income of entities accounted for using equity method	△ 123	△ 1
Total other comprehensive income	4,551	△ 2,105
Comprehensive income	20,386	11,525
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,494	8,953
Comprehensive income attributable to non-controlling interests	2,891	2,571

(3) Consolidated Statements of Changes in Equity  
Fiscal year ended October 31, 2017

(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	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
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					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 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
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

Fiscal year ended October 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,000	3,581	92,731	△ 23,875	83,437
Changes of items during period					
Dividends of surplus			△ 1,707		△ 1,707
Profit attributable to owners of parent			10,971		10,971
Purchase of treasury shares				△ 5,000	△ 5,000
Disposal of treasury shares		9		264	273
Change of scope of consolidation			△ 7		△ 7
Purchase of shares of consolidated subsidiaries					—
Change in ownership interest of parent due to transactions with non-controlling interests		△ 139			△ 139
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	△ 130	9,256	△ 4,736	4,389
Balance at end of current period	11,000	3,451	101,987	△ 28,611	87,827

	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 current period	283	265	1,716	70	2,336	252	25,221	111,247
Changes of items during period								
Dividends of surplus					—			△ 1,707
Profit attributable to owners of parent					—			10,971
Purchase of treasury shares					—			△ 5,000
Disposal of treasury shares					—			273
Change of scope of consolidation					—			△ 7
Purchase of shares of consolidated subsidiaries					—			—
Change in ownership interest of parent due to transactions with non-controlling interests					—			△ 139
Net changes of items other than shareholders' equity	0	△ 98	△ 1,799	△ 120	△ 2,017	178	1,761	△ 77
Total changes of items during period	0	△ 98	△ 1,799	△ 120	△ 2,017	178	1,761	4,312
Balance at end of current period	283	166	△ 82	△ 49	318	431	26,982	115,559

## (3) Consolidated Statements of Changes in Equity

(Millions of yen)

	Fiscal year ended October 31, 2017	Fiscal year ended October 31, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	20,730	20,695
Depreciation	7,104	8,214
Impairment loss	284	—
Amortization of goodwill	354	1,051
Increase (decrease) in provision for bonuses	1,046	843
Increase (decrease) in provision for directors' bonuses	54	15
Increase (decrease) in net defined benefit liability	1,412	48
Increase (decrease) in provision for directors' retirement benefits	71	△ 527
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	—	2,163
Interest and dividend income	△ 1,699	△ 1,789
Share of loss (profit) of entities accounted for using equity method	69	△ 10
Foreign exchange losses (gains)	△ 3,031	252
Interest expenses	458	595
Loss (gain) on sales of property, plant and equipment	642	△ 4,230
Loss (gain) on valuation of investment securities	—	330
Gain on revision of retirement benefit plan	—	△ 282
Reversal of foreign currency translation adjustment	—	△ 595
Loss on disposal of affiliate receivables	—	1,359
Loss (gain) on sales of shares of subsidiaries and associates	216	—
Loss (gain) on step acquisitions	△ 2,009	—
Other loss (gain)	179	435
Decrease (increase) in notes and accounts receivable - trade	1,121	△ 7,684
Decrease (increase) in travel advance payments	△ 5,185	△ 7,320
Decrease (increase) in other assets	△ 689	△ 7,652
Increase (decrease) in notes and accounts payable - trade	△ 3,270	12,665
Increase (decrease) in accrued consumption taxes	271	429
Increase (decrease) in accrued expenses	3,061	△ 6,511
Increase (decrease) in travel advances received	5,894	9,676
Increase (decrease) in other liabilities	7,257	5,073
<b>Subtotal</b>	<b>34,345</b>	<b>27,247</b>
Interest and dividend income received	1,759	1,712
Interest expenses paid	△ 442	△ 553
Income taxes (paid) refund	△ 3,292	△ 8,009
<b>Net cash provided by (used in) operating activities</b>	<b>32,369</b>	<b>20,397</b>

(Millions of yen)

	Fiscal year ended October 31, 2017	Fiscal year ended October 31, 2018
<b>Cash flows from investing activities</b>		
Payments into time deposits	△ 43,132	△ 40,280
Proceeds from withdrawal of time deposits	51,799	40,791
Proceeds from redemption of securities	3,300	—
Purchase of property, plant and equipment and intangible assets	△ 24,189	△ 45,440
Proceeds from sales of property, plant and equipment and intangible assets	642	9,709
Purchase of investment securities	△ 8,366	△ 6,973
Proceeds from sales of investment securities	48	1,751
Purchase of shares of subsidiaries and associates	△ 808	△ 385
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△ 5,856	△ 3,420
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	8,465	10
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	△ 224	△ 73
Payments of loans receivable	△ 921	△ 6,975
Collection of loans receivable	639	6,948
Payments for guarantee deposits	△ 687	△ 1,973
Proceeds from collection of guarantee deposits	612	657
Revenue from redevelopment project	—	5,766
Other, net	△ 7,529	△ 4,954
<b>Net cash provided by (used in) investing activities</b>	<b>△ 26,209</b>	<b>△ 44,841</b>
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	55,640	33,970
Decrease in short-term loans payable	△ 58,920	△ 23,464
Proceeds from long-term loans payable	26,000	25,049
Repayments of long-term loans payable	△ 876	△ 4,181
Proceeds from issuance of bonds	19,899	—
Proceeds from issuance of bonds with share acquisition rights	—	25,100
Purchase of treasury shares	△ 10,001	△ 5,001
Cash dividends paid	△ 1,361	△ 1,707
Dividends paid to non-controlling interests	△ 22	△ 473
Proceeds from share issuance to non-controlling shareholders	—	14
Other, net	△ 586	△ 1,002
<b>Net cash provided by (used in) financing activities</b>	<b>29,769</b>	<b>48,304</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>2,886</b>	<b>△ 947</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>38,816</b>	<b>22,913</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>129,842</b>	<b>168,659</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>—</b>	<b>△ 132</b>
<b>Cash and cash equivalents at end of period</b>	<b>168,659</b>	<b>191,440</b>

## (5) Segment Information

Information on net sales, incomes or losses by reported segment

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

(Note)

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.
4. EBITDA for each reporting segment is as follows.

	Travel Business	Huis Ten Bosch Group	Hotel Business	Transportation Business	Kyushu Sanko Group	Other Businesses	Total
Operating profit (loss △)	9,900	7,688	764	△ 840	564	1	118,078
Depreciation and amortization	2,868	1,869	949	17	1,058	149	6,913
EBITDA (*)	12,768	9,558	1,713	△ 822	1,622	150	24,991

(Note) EBITDA is calculated by adding segment profit or loss (△) plus depreciation expenses and amortization of goodwill.

The fiscal year ended October 31, 2018 (November 1, 2017 – October 31, 2018)

(Millions of yen)

	Reportable segments					Other Businesses *1	Total	Eliminations & Corporate *2	Consolidated *3
	Travel Business	Huis Ten Bosch Group	Hotel Business	Kyushu Sanko Group	Subtotal				
Sales									
Revenues from external customers	649,650	41,892	11,153	21,626	724,322	4,231	728,554	—	728,554
Transactions with other segments	1,653	1,797	886	15	4,353	64	4,417	△ 4,417	—
Net sales	651,303	43,690	12,039	21,641	728,676	4,295	732,971	△ 4,417	728,554
Operating profit (loss △)	12,146	7,273	808	398	20,626	△ 364	20,262	△ 2,237	18,024
Assets	253,196	54,613	40,345	65,762	413,917	23,328	437,245	78,546	515,792
Other items									
Depreciation and amortization	3,162	2,090	1,227	959	7,439	162	7,602	395	7,997
Investments in entities accounted for using equity method	224	—	—	—	224	—	224	—	224
Increase in property, plant and equipment and intangible assets	2,595	5,125	10,748	16,700	35,171	11,419	46,591	543	47,134

(Note)

1. Other Businesses refer to the business segment not included in the reported segment, including casualty insurance business, real estate businesses and energy related business among others.

2. The details of Eliminations & Corporate are as follows:

- (1) Operating profit (loss △) of △ 2,237 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 78,546 million yen include intersegment transactions of △ 1,457 million yen and corporate-wide assets of 80,004 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 395 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.

4. EBITDA for each reporting segment is as follows.

	Travel Business	Huis Ten Bosch Group	Hotel Business	Kyushu Sanko Group	Other Businesses	Total
Operating profit (loss △)	12,146	7,273	808	398	△ 364	20,262
Depreciation and amortization	3,800	2,096	1,309	997	450	8,653
EBITDA (*)	15,946	9,369	2,117	1,395	85	28,916

(Note) EBITDA is calculated by adding segment profit or loss (△) plus depreciation expenses and amortization of goodwill.