

Consolidated Financial Results for the Fiscal Year Ended October 31, 2019
(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, 2019 (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 12, 2019

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

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

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

Contact: Shigeru Nakatani, Director and CFO (Tel) +81-3-6388-0707

Scheduled Date to Hold GSM: January 29, 2020, Scheduled Date to Start Dividend Payment: January 30, 2020

Scheduled Date to File Securities Report: January 30, 2020

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, 2019 (November 1, 2018 – October 31, 2019)

(1) Consolidated Operating Results

(% shows year-on-year changes)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Fiscal Year ended								
October 31, 2019	808,510	11.0	17,540	△3.0	17,089	△12.4	12,249	10.7
October 31, 2018	728,554	20.2	18,083	13.6	19,499	△0.8	11,067	△16.5

(*Note) Comprehensive Income: JPY11,432 million (△1.5%) for the fiscal year ended October 31, 2019
JPY11,606 million (△43.1%) for the fiscal year ended October 31, 2018

	EPS	Diluted EPS	Return on Equity	Ordinary Profit on Total assets	Operating Profit on Net Sales
Fiscal Year ended	JPY	JPY	%	%	%
October 31, 2019	213.63	197.66	13.2	3.1	2.2
October 31, 2018	192.96	166.87	12.7	4.2	2.5

(*Reference) Equity in earnings of affiliated companies: JPY△44 million for the fiscal year ended October 31, 2019
JPY10 million for the fiscal year ended October 31, 2018

(*Note) For the 1st quarter of the fiscal year ended October 2019, provisional accounting for consolidation was finalized. As a result, the figures for the fiscal year ended October 2018 reflect the finalization of the provisional accounting treatment.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	BPS
As of	JPY million	JPY million	%	JPY
October 31, 2019	577,399	123,909	16.8	1,686.22
October 31, 2018	516,468	115,641	17.1	1,539.98

(*Reference) Shareholders' Equity: JPY96,773 million for the fiscal year ended October 31, 2019
JPY88,227 million for the fiscal year ended October 31, 2018

(*Note) For the 1st quarter of the fiscal year ended October 2019, provisional accounting for consolidation was finalized. As a result, the figures for the fiscal year ended October 2018 reflect the finalization of the provisional accounting treatment.

(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, 2019	39,777	△52,116	15,362	192,541
October 31, 2018	20,397	△44,841	48,304	191,440

2. Dividend

	Dividend Per Share					Total Dividend Amount	Payout Ratio (Consolidated)	DOE (Consolidated)
	1Q	2Q	3Q	4Q	Total			
Fiscal Year ended October 31, 2018	JPY —	JPY 0.00	JPY —	JPY 29.00	JPY 29.00	JPY million 1,669	% 15.2	% 1.9
Fiscal Year ended October 31, 2019	—	0.00	—	33.00	33.00	1,900	15.4	2.0
Fiscal Year ending October 31, 2020 (Forecast)	—	0.00	—	33.00	33.00		17.2	

(Note) Total dividend for the fiscal year ended October 31, 2018 includes JPY8 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, 2019 includes JPY6 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, 2020 (November 1, 2019 – October 31, 2020)

(% 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	438,400	16.0	9,600	6.9	9,800	10.4	5,400	8.8	94.09
Full Year	900,000	11.3	19,300	10.0	19,500	14.1	11,000	△10.2	191.67

(*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: H.I.S. - RED LABEL VACATIONS INC.,

HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI

(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: Yes

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

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements: None

(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, 2019	68,522,936 shares
As of October 31, 2018	68,522,936 shares

2) Number of Treasury Stocks at the End of Period

As of October 31, 2019	11,132,098 shares
As of October 31, 2018	11,231,540 shares

3) Average Number of Shares during the Period

Fiscal year ended October 31, 2019	57,341,112 shares
Fiscal year ended October 31, 2018	57,352,735 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 (188,600 shares as of October 31, 2019 and 282,100 shares as of October 31, 2018) and the number of treasury stock deducted in calculating the average number of shares during the period (236,546 shares during November 2018 – October 2019 and 321,654 shares during November 2017 – October 2018).

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended October 31, 2019 (November 1, 2018 – October 31, 2019)

(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, 2019	479,445	4.3	4,905	19.7	6,551	△0.1	6,848	236.0
October 31, 2018	459,627	7.2	4,096	58.6	6,557	41.2	2,038	—

Fiscal Year ended	EPS	Diluted EPS
	JPY	JPY
October 31, 2019	119.44	110.25
October 31, 2018	35.53	30.25

(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, 2019	335,222	24,741	7.4	431.11
October 31, 2018	322,107	19,099	5.8	325.85

(*Reference) Shareholders' Equity: JPY24,741million for the fiscal year ended October 31, 2019
JPY18,668million for the fiscal year ended October 31, 2018

(* 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.

1. Summary of Operating Results and Others

(1) Analysis of Operating Results

① Operating Results for the Fiscal Year under Review (FY ended October 31, 2019)

Regarding the business environments during the fiscal year under review (FY ended October 31, 2019), the domestic economy in Japan showed moderate recovery due to improvements in employment/income environments and to effects of various governmental policies, despite the prolonged weakness mainly in the export sector. On the other hand, the international economy continued to show tensions surrounding trade issues and uncertainties of economic forecasts.

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 "Contributing to the creative development of humanity and world peace by complying with the law of nature".

Operating results by business segment are as follows. The amount of each business segment is the amount before eliminating intersegment transactions. The business segment was reclassified at the beginning of the fiscal year under review, and the year-over-year comparison below is based on the reclassified segment. For details, please refer to "4. Consolidated Financial Statements and Major Notes (5) Notes on Consolidated Financial Statements, Segment Information, etc."

(Travel Business)

During the fiscal year under review, the number of Japanese travelers departing from Japan increased steadily by 7.3% year-over-year to 20.02 million, a record high, due to continued strong demands for travel overall despite the decrease due to unstable situations in East Asia. The number of foreign visitors to Japan increased by 3.2% year-over-year to 31.99 million, a record high, due partly to temporary push-up effects of Rugby World Cup 2019 Japan despite the decrease in the South Korean market. (Source: Japan National Tourism Organization (JNTO))

The travel business in Japan showed solid results due to various reasons such as a) Golden Week demand, which was the first time ever 10 consecutive holidays, b) continued demand for travel to Europe, c) recovery of travel to Guam due to the increase in the number of seats provided, and d) growth of travel to Hokkaido due to charter flight operations, although there was some decrease due to large typhoons and unstable situations in Hong Kong and South Korea. H.I.S. Group worked to improve services from customers' perspective, such as a) development of a new service "Cancellation Support" that compensates for travel cancellations due to business trips, insufficient remaining validity of passports, pregnancy, and other reasons, and b) significant renewal of the product website. Regarding the inbound travel business to Japan, profitability remained an issue due to the worsening competitive environments for customers from East Asia, but the number of passengers from other regions, especially from Europe and North America grew due to the strengthening of the organizational structure. In the corporate business, H.I.S. Group strengthened the trade business through a strategic cooperation agreement with a local government (Mie Prefecture) as a new initiative, in addition to the overseas expansion support business for Japanese companies.

Regarding the travel business overseas, business expansion in North America was promoted, with the new consolidation of Red Label Vacations Inc. from the 3rd quarter of the fiscal year under review. In addition to strong inbound business in each country such as growth in South Korea and Guam, the effect of new consolidation also contributed to the strong growth of business.

The number of H.I.S. Group's sales locations was 259 in Japan and 270 in 163 cities in 69 countries outside of Japan as of the end of October 2019 as a result of opening new locations and consolidation.

As a result of the above, the Travel Business recorded net sales of 722,464 million yen (110.9% of the same period last year), and operating profit of 13,754 million yen (112.7% of the same period last year) during the fiscal year under review.

(Huis Ten Bosch Group)

Huis Ten Bosch changed the entry fee structure to reflect customers' demands by introducing a) "Early Discount" in April, which allows customers to purchase one-day passports at a reasonable price, b) "New Pre-School Children Price" that takes into account restrictions on facility use, c) free entry for pet animals, and d) "Birthday Benefits". Regarding events, Huis Ten Bosch received support from customers as Japan's first "Light and Music Canal Parade Show" was conducted in addition to the launch of Japan's largest light fountain show "Water Magic" at the main event of the winter "Light Kingdom", which won the first place for 7 consecutive years at "The Illumination Ranking of Japan". But the number of visitors was 2,547,000, 93.6% as compared to the same period of the previous fiscal year due to bad weathers on busy days and decrease in inbound tourists.

As a result of the above, Huis Ten Bosh Group recorded net sales of 28,086 million yen (91.5% of the same period last year) and operating profit of 5,075 million yen (69.4% of the same period last year) during the fiscal year under review.

(Hotel Business)

In the Hotel Business, which H.I.S. Group is aiming to strengthen as the third pillar business following Travel Business and Huis Ten Bosh Group, H.I.S. Group continued to focus on the development of "Henn na Hotel" which aims for the number one productivity in the world, and opened 6 "Henn na Hotel" mainly in Western Japan such as Fukuoka, Osaka and Kyoto. Sales were solid due to an increase in the number of "Henn na Hotel" and stable operation at existing hotels, although sales declined due to the sale of Watermark Hotel in the previous fiscal year. Operating profit declined year-over-year due to additional opening-related expenses and other expenses.

As a result of the above, Hotel Business recorded net sales of 12,676 million yen (105.3% of the same period last year), operating loss of 217 million yen (808 million yen operating profit in the same period last year) and EBITDA of 1,059 million yen (50.0% of the same period last year) during the fiscal year under review.

(Kyushu Sanko Group)

In the Kyushu Sanko Group, net sales were 22,230 million yen (102.7% of the same period last year) and operating profit was 158 million yen (39.7% of the same period last year) during the fiscal year under review as impacted by a reaction to the reconstruction demand after the Kumamoto earthquake, weather, and eruption of Mt. Aso, and increase in costs for redevelopment business. On the other hand, regarding the Sakuramachi redevelopment project, "SAKURA MACHI Kumamoto", a large commercial complex, started operations on September 14, 2019. The new complex is well accepted as an accumulated total of 3.2 million people visited it by the end of October. Kyushu Sanko Group will continue to revitalize the center of the city.

(Energy Business)

In the electric power retail business, net sales were 20,461 million yen (170.7% of the same period last year) and operating profit was 974 million yen (428 million yen operating loss in the same period last year) during the fiscal year under review due to an increase in the number of contracts due to a significant increase in sales channels such as agencies, revenues from balancing group and electric power wholesale, and procurement contracts with new suppliers.

As a result of the above, H.I.S. Group recorded net sales of 808,510 million yen (111.0% of the same period last year), a record high, operating profit of 17,540 million yen (97.0% of the same period last year), and ordinary profit of 17,089 million yen (87.6% of the same period last year) during the fiscal year under review. Net profit attributable to owners of parent was 12,249 million yen (110.7% of the same period last year) during the fiscal year under review due to 3,627 million yen of gain on sale of investment securities.

② Financial Forecasts for the Fiscal Year Ending October 31, 2020

Although there are concerns about worsening business conditions such as downside risks in overseas economies, situations of trade issues, geopolitical risks such as terrorism and conflicts, etc., the business environments are expected to continue to show a gradual recovery due to improvement in employment/income environments and to the effects of various governmental policies, etc. On the other hand, in the Travel Business, there are concerns about the decline of demands due to a reaction to the large consecutive holidays and to people refraining from going out during the 2020 Tokyo Olympics.

Based on the above, financial forecasts for the fiscal year ending October 31, 2020 are as follows; net sales of 900.0 billion yen (111.3% of the same period last year), operating profit of 19.3 billion yen (110.0% of the same period last year), ordinary profit of 19.5 billion yen (114.1% of the same period last year), and net profit attributable to owners of parent of 11.0 billion yen (89.8% of the same period last year).

(2) Business and Other Risks

Factors below could affect H.I.S. Group's operating results, financial position, share price and 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 12, 2019, when the financial results and forecasts were announced. Furthermore, business and other risks are not confined only to the following.

① Risks Related to Travel Demand and Industry Trends

The Travel Business represents 89.4% of H.I.S. Group's sales by business segment. Especially, sales by region are concentrated in Japan at 78.8%. Therefore, changes in the environments for the Travel Business in Japan could have a possibility to affect H.I.S. Group's financial position, operating results and others. In addition, each business of H.I.S. Group is facing tough competition with other companies, such as the change of business model of its business partners and companies of other industries entering the market. Although H.I.S. Group is working to secure a competitive advantage on a continuous basis, future developments could possibly affect the financial position, operating results and others.

② Impact of Natural and Man-Made Disasters

As environments surrounding H.I.S. Group's businesses, in addition to the damage to tourism and various infrastructures by natural disasters such as typhoons, tsunamis, and earthquakes, and epidemic of infectious diseases, there are risks such as aviation accidents, unstable political and social situations in each country / region due to terrorism, wars, etc. H.I.S. Group's the financial position, operating results and others could possibly be affected by various influences if these events occur.

③ Risks of Information Leakage and System Management

H.I.S. Group uses computer systems for operations including reservation arrangements and manages personal information of many customers. H.I.S. Group is working to ensure sufficient security for construction and operation of the system, but if a serious failure such as system failure, information leakage, or falsification occurs due to a communication network or program failure, computer virus infection, etc., H.I.S. Group's operations could possibly be seriously affected. In addition, depending on the scale of the failure, H.I.S. Group's financial position, operating results, and social credit could possibly be affected, such as interruption of service provision to customers and an increase in repair costs.

④ Risks Related to Product/Service Provision

H.I.S. Group has created quality control standard manuals for the selection of restaurants included in travel products and the operation of restaurants in other businesses, and pays sufficient attention to food safety. However, if hygiene problems such as food poisoning occur, the loss of trust and others could possibly affect H.I.S. Group's financial position, operating results and others.

⑤ Exchange Rate and Fuel Surcharge Fluctuations

H.I.S. Group conducts businesses in foreign currencies which result in income/expenses and assets/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 possibly 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 its consolidated financial statements. This could affect H.I.S. Group's financial position, operating results and others should there be fluctuation in exchange rates. In addition, in the Travel Business, 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 possibly dampen overall travel demands. If a significant fluctuation in oil price occurs, H.I.S. Group's financial position, operating results and others could possibly be affected.

⑥ Fluctuations in the Value of Owned Assets Including Securities

H.I.S. Group owns listed and unlisted companies' shares, bonds and other instruments. Hence, H.I.S. Group's financial position, operating results and others could possibly 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 possibly affect H.I.S. Group's financial position, operating results and others through impairment loss of these assets.

⑧ 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 could be affected by the occurrence of expenses for handling legal procedures and by damage to its brand image.

(3) 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 and their growth rates of the entire group and each business, H.I.S. Group considers the market share of the 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 demands for travel on a global basis and to establish a firm position.

③ Medium to Long Term Business Strategy

H.I.S. Group will continue to expand aggressively into growth areas with the aim of creating new values in addition to the existing core business areas such as travel, theme park, hotel, energy, and regional revitalization. And in response to business diversification, H.I.S. Group will strive to build a sustainable next-generation management structure.

④Key Issues

Key issues to be addressed by H.I.S. Group are as follows.

(Pursuing Customer Satisfaction and Providing Safe and Secure Products)

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 continue to offer safe, secure, and high quality products, services and information by creating new values in experience and by providing enhanced services. H.I.S. Group also strives to improve its standards of services, both in Japan and overseas, to make its customers happy around the world, and to be supported by them.

(Response to Globalization)

While new businesses 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.

(Establishment of Next Generation Management Structure)

In order to achieve sustainable growth, H.I.S. Group will, in addition to existing business areas, actively promote development into new business areas to create new values. H.I.S. Group will build a next-generation management structure that is suitable for business diversification.

2.Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of October 31, 2018	As of October 31, 2019
Assets		
Current assets		
Cash and deposits	213,960	219,175
Notes and accounts receivable - trade	44,376	45,653
Operating accounts receivable	5,048	4,287
Securities	89	—
Travel advance payments	34,347	52,102
Prepaid expenses	2,423	2,888
Short-term loans receivable	1,391	1,389
Short-term loans receivable from subsidiaries and associates	196	307
Accounts receivable - other	5,604	16,936
Other	12,942	6,305
Allowance for doubtful accounts	△451	△766
Total current assets	319,929	348,280
Non-current assets		
Property, plant and equipment		
Buildings	32,888	67,834
Accumulated depreciation	△13,224	△14,440
Buildings, net	19,663	53,394
Tools, furniture and fixtures	17,066	18,775
Accumulated depreciation	△10,902	△11,207
Tools, furniture and fixtures, net	6,163	7,567
Land	32,685	47,654
Leased assets	5,196	5,487
Accumulated depreciation	△2,171	△2,157
Leased assets, net	3,025	3,330
Construction in progress	48,455	27,874
Other	15,848	17,713
Accumulated depreciation	△9,739	△10,435
Other, net	6,108	7,277
Total property, plant and equipment	116,102	147,098
Intangible assets		
Goodwill	7,232	7,305
Other	12,964	19,271
Total intangible assets	20,196	26,576
Investments and other assets		
Investment securities	15,895	16,270
Shares of subsidiaries and associates	2,434	3,241
Investments in capital of subsidiaries and associates	179	50
Long-term loans receivable	4,479	3,313
Long-term loans receivable from subsidiaries and associates	1,218	1,071
Retirement benefit asset	551	529
Deferred tax assets	7,061	8,134
Guarantee deposits	9,125	11,862
Other	19,050	11,189
Allowance for doubtful accounts	△190	△388
Total investments and other assets	59,807	55,275
Total non-current assets	196,105	228,951
Deferred assets	432	168
Total assets	516,468	577,399

(Millions of yen)

	As of October 31, 2018	As of October 31, 2019
Liabilities		
Current liabilities		
Operating accounts payable	36,933	38,082
Short-term loans payable	17,992	6,903
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	11,008	37,548
Accounts payable - other	3,704	22,319
Accrued expenses	3,643	4,517
Income taxes payable	3,752	3,904
Accrued consumption taxes	1,019	1,057
Travel advance received	68,344	92,760
Lease obligations	935	793
Provision for bonuses	4,915	5,510
Provision for bonuses for directors (and other officers)	177	224
Provision for loss on liquidation of subsidiaries and associates	2,163	—
Other	29,310	17,950
Total current liabilities	213,932	231,572
Non-current liabilities		
Bonds payable	30,000	30,000
Convertible bond-type bonds with share acquisition rights	25,108	25,090
Long-term loans payable	113,309	146,403
Deferred tax liabilities	5,556	4,789
Retirement benefit liability	7,036	7,715
Provision for retirement benefits for directors (and other officers)	343	371
Lease obligations	2,406	2,767
Other	3,133	4,779
Total non-current liabilities	186,894	221,918
Total liabilities	400,826	453,490
Net assets		
Shareholders' equity		
Capital stock	11,000	11,000
Capital surplus	3,451	3,392
Retained earnings	102,083	112,409
Treasury shares	△28,611	△28,309
Total shareholders' equity	87,923	98,493
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	283	1,019
Deferred gains or losses on hedges	166	75
Foreign currency translation adjustment	△97	△2,626
Remeasurements of defined benefit plans	△49	△187
Total accumulated other comprehensive income	304	△1,719
Share acquisition rights	431	—
Non-controlling interests	26,982	27,135
Total net assets	115,641	123,909
Total liabilities and net assets	516,468	577,399

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended October 31, 2018	Fiscal year ended October 31, 2019
Net sales	728,554	808,510
Cost of sales	595,185	664,375
Gross profit	133,368	144,134
Selling, general and administrative expenses	115,285	126,594
Operating profit	18,083	17,540
Non-operating income		
Interest income	1,638	1,599
Share of profit of entities accounted for using equity method	10	—
Subsidy income	368	397
Other	1,774	1,530
Total non-operating income	3,791	3,527
Non-operating expenses		
Interest expenses	595	788
Foreign exchange losses	564	977
Share of loss of entities accounted for using equity method	—	44
Other	1,214	2,169
Total non-operating expenses	2,375	3,978
Ordinary profit	19,499	17,089
Extraordinary income		
Gain on sales of non-current assets	4,230	—
Gain on sales of investment securities	—	3,627
Gain on revision of retirement benefit plan	282	—
Gain on reversal of share acquisition rights	—	513
Foreign currency translation adjustment account reversal gain	595	—
Total extraordinary income	5,107	4,140
Extraordinary losses		
Loss on valuation of investment securities	330	—
Provision for loss on liquidation of subsidiaries and associates	2,163	—
Loss on disposal of affiliate receivables	1,359	—
Impairment loss	—	877
Total extraordinary losses	3,853	877
Profit before income taxes	20,753	20,352
Income taxes - current	7,104	7,012
Income taxes - deferred	△77	△535
Total income taxes	7,027	6,477
Profit	13,726	13,875
Profit attributable to non-controlling interests	2,659	1,625
Profit attributable to owners of parent	11,067	12,249

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended October 31, 2018	Fiscal year ended October 31, 2019
Profit	13,726	13,875
Other comprehensive income		
Valuation difference on available-for-sale securities	0	735
Deferred gains or losses on hedges	△98	△93
Foreign currency translation adjustment	△1,856	△2,923
Remeasurements of defined benefit plans, net of tax	△163	△120
Share of other comprehensive income of entities accounted for using equity method	△1	△41
Total other comprehensive income	△2,119	△2,442
Comprehensive income	11,606	11,432
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,035	10,226
Comprehensive income attributable to non-controlling interests	2,571	1,206

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
Cumulative effects of changes in accounting policies					—
Restated balance	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			11,067		11,067
Purchase of treasury shares				△5,000	△5,000
Disposal of treasury shares		9		264	273
Change of scope of consolidation			△7		△7
Capital increase of consolidated subsidiaries					—
Changes from transactions under					—
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	9,352	△4,736	4,485
Balance at end of current period	11,000	3,451	102,083	△28,611	87,923

	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
Cumulative effects of changes in accounting policies					—			—
Restated balance	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					—			11,067
Purchase of treasury shares					—			△5,000
Disposal of treasury shares					—			273
Change of scope of consolidation					—			△7
Capital increase of consolidated subsidiaries					—			—
Changes from transactions under					—			—
Change in ownership interest of parent due to transactions with non-controlling interests					—			△139
Net changes of items other than shareholders' equity	0	△98	△1,813	△120	△2,031	178	1,761	△91
Total changes of items during period	0	△98	△1,813	△120	△2,031	178	1,761	4,394
Balance at end of current period	283	166	△97	△49	304	431	26,982	115,641

(3) Consolidated Statements of Changes in Equity

Fiscal year ended October 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,000	3,451	102,083	△28,611	87,923
Cumulative effects of changes in accounting policies			△161		△161
Restated balance	11,000	3,451	101,922	△28,611	87,762
Changes of items during period					
Dividends of surplus			△1,669		△1,669
Profit attributable to owners of parent			12,249		12,249
Purchase of treasury shares				△0	△0
Disposal of treasury shares		9		302	312
Change of scope of consolidation			△92		△92
Capital increase of consolidated subsidiaries		8			8
Changes from transactions under		201			201
Change in ownership interest of parent due to transactions with non-controlling interests		△278			△278
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	△59	10,487	302	10,731
Balance at end of current period	11,000	3,392	112,409	△28,309	98,493

	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	166	△97	△49	304	431	26,982	115,641
Cumulative effects of changes in accounting policies					—		△68	△229
Restated balance	283	166	△97	△49	304	431	26,914	115,412
Changes of items during period								
Dividends of surplus					—			△1,669
Profit attributable to owners of parent					—			12,249
Purchase of treasury shares					—			△0
Disposal of treasury shares					—			312
Change of scope of consolidation					—			△92
Capital increase of consolidated subsidiaries					—			8
Changes from transactions under					—			201
Change in ownership interest of parent due to transactions with non-controlling interests					—			△278
Net changes of items other than shareholders' equity	736	△91	△2,529	△138	△2,023	△431	221	△2,233
Total changes of items during period	736	△91	△2,529	△138	△2,023	△431	221	8,497
Balance at end of current period	1,019	75	△2,626	△187	△1,719	—	27,135	123,909

(4) Consolidated Statements of Changes in Equity

(Millions of yen)

	Fiscal year ended October 31, 2018	Fiscal year ended October 31, 2019
Cash flows from operating activities		
Profit before income taxes	20,753	20,352
Depreciation	8,369	8,850
Impairment loss	—	877
Amortization of goodwill	837	953
Increase (decrease) in provision for bonuses	843	618
Increase (decrease) in provision for bonuses for directors (and other officers)	15	48
Increase (decrease) in retirement benefit liability	48	518
Increase (decrease) in provision for retirement benefits for directors (and other officers)	△527	29
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	2,163	—
Interest and dividend income	△1,789	△1,864
Share of loss (profit) of entities accounted for using equity method	△10	44
Foreign exchange losses (gains)	252	1,486
Interest expenses	595	788
Loss (gain) on sales of investment securities	—	△3,627
Loss (gain) on valuation of investment securities	330	—
Loss (gain) on sales of property, plant and equipment	△4,230	—
Gain on reversal of share acquisition rights	—	△513
Gain on revision of retirement benefit plan	△282	—
Reversal of foreign currency translation adjustment	△595	—
Loss on disposal of affiliate receivables	1,359	—
Other loss (gain)	435	1,799
Decrease (increase) in notes and accounts receivable - trade	△7,684	△409
Decrease (increase) in travel advance payments	△7,320	△1,572
Decrease (increase) in other assets	△7,652	4,960
Increase (decrease) in notes and accounts payable - trade	12,665	14
Increase (decrease) in accrued consumption taxes	429	201
Increase (decrease) in accrued expenses	△6,511	237
Increase (decrease) in travel advances received	9,676	5,438
Increase (decrease) in other liabilities	5,073	6,222
Subtotal	27,247	45,456
Interest and dividend income received	1,712	1,735
Interest expenses paid	△553	△748
Income taxes (paid) refund	△8,009	△6,665
Net cash provided by (used in) operating activities	20,397	39,777

(Millions of yen)

	Fiscal year ended October 31, 2018	Fiscal year ended October 31, 2019
Cash flows from investing activities		
Payments into time deposits	△40,280	△33,381
Proceeds from withdrawal of time deposits	40,791	29,452
Proceeds from redemption of securities	—	300
Purchase of property, plant and equipment and intangible assets	△45,440	△75,885
Proceeds from sales of property, plant and equipment and intangible assets	9,709	289
Purchase of investment securities	△6,973	△7,507
Proceeds from sales of investment securities	1,751	10,931
Purchase of shares of subsidiaries and associates	△385	△1,419
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△3,420	△6,373
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	10	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	△73	—
Payments of loans receivable	△6,975	△305
Collection of loans receivable	6,948	1,218
Payments for guarantee deposits	△1,973	△3,628
Proceeds from collection of guarantee deposits	657	866
Revenue from redevelopment project	5,766	27,658
Other, net	△4,954	5,668
Net cash provided by (used in) investing activities	△44,841	△52,116
Cash flows from financing activities		
Increase in short-term loans payable	33,970	146,941
Decrease in short-term loans payable	△23,464	△157,921
Proceeds from long-term loans payable	25,049	71,450
Repayments of long-term loans payable	△4,181	△11,815
Proceeds from issuance of bonds with share acquisition rights	25,100	—
Purchase of treasury shares	△5,001	—
Cash dividends paid	△1,707	△1,669
Dividends paid to non-controlling interests	△473	△467
Proceeds from share issuance to non-controlling shareholders	14	1,017
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	△1,699
Redemption of bonds	—	△10,000
Redemption of convertible bonds	—	△20,000
Other, net	△1,002	△472
Net cash provided by (used in) financing activities	48,304	15,362
Effect of exchange rate change on cash and cash equivalents	△947	△2,538
Net increase (decrease) in cash and cash equivalents	22,913	486
Cash and cash equivalents at beginning of period	168,659	191,440
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	△132	614
Cash and cash equivalents at end of period	191,440	192,541

(5) Segment Information

Information on net sales, incomes or losses by reported segment

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	Energy Business	Subtotal				
Sales										
Revenues from external customers	649,650	28,952	11,153	21,626	11,899	723,282	5,271	728,554	—	728,554
Transactions with other segments	1,653	1,727	886	15	90	4,372	624	4,997	△4,997	—
Net sales	651,303	30,680	12,039	21,641	11,989	727,655	5,896	733,551	△4,997	728,554
Operating profit (loss △)	12,205	7,315	808	398	△428	20,299	21	20,320	△2,237	18,083
Assets	253,871	49,310	40,345	65,762	9,911	419,199	18,798	437,998	78,469	516,468
Other items										
Depreciation and amortization	3,317	2,058	1,227	959	22	7,585	172	7,757	395	8,152
amortization of goodwill	424	—	81	38	45	589	248	837	—	837
Investments in entities accounted for using equity method	224	—	—	—	—	224	—	224	—	224
Increase in property, plant and equipment and intangible assets	2,595	5,102	10,748	16,700	44	35,193	11,397	49,591	543	47,134

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 △ 2,237 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 78,469 million yen include intersegment transactions of △ 1,534 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 543 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	Energy Business	Other Businesses	Total
Operating profit (loss △)	12,205	7,315	808	398	△428	21	20,320
Depreciation and amortization	3,741	2,058	1,309	997	67	420	8,595
EBITDA (*)	15,946	9,373	2,117	1,395	△360	441	28,916

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

The fiscal year ended October 31, 2019 (November 1, 2018 – October 31, 2019)

(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	Energy Business	Subtotal				
Sales										
Revenues from external customers	720,465	26,372	11,757	22,208	20,345	801,149	7,360	808,510	—	808,510
Transactions with other segments	1,998	1,713	918	22	116	4,770	1,015	5,785	△5,785	—
Net sales	722,464	28,086	12,676	22,230	20,461	805,919	8,376	814,295	△5,785	808,510
Operating profit (loss △)	13,754	5,075	△217	158	974	19,746	589	20,335	△2,795	17,540
Assets	263,084	52,522	64,777	84,397	14,113	478,895	23,174	502,070	75,329	577,399
Other items										
Depreciation and amortization	3,646	2,099	1,197	1,045	30	8,020	238	8,258	511	8,770
amortization of goodwill	579	—	78	—	45	703	249	953	—	953
Investments in entities accounted for using equity method	240	—	—	—	—	240	601	842	—	842
Increase in property, plant and equipment and intangible assets	3,756	2,780	26,921	48,608	1,619	83,686	2,132	85,819	6,861	92,680

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 △2,795 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 75,329 million yen include intersegment transactions of △1,561 million yen and corporate-wide assets of 76,890 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 511 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 6,861 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	Energy Business	Other Businesses	Total
Operating profit (loss △)	13,754	5,075	△217	158	974	589	20,335
Depreciation and amortization	4,226	2,099	1,276	1,045	76	488	9,212
EBITDA (*)	17,980	7,175	1,059	1,203	1,050	1,077	29,547

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