



Consolidated Financial Results for the First Nine Months of Fiscal Year Ending October 2022 [Japanese Standards]

September 13, 2022

Listed company name H.I.S. Co., Ltd. Listed Exchange Tokyo
 Code number 9603 URL: <https://www.his.co.jp/>
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 Scheduled quarterly report submission date September 13, 2022 Scheduled dividend payment start date —
 Supplementary explanatory materials for financial results: Yes
 Quarterly financial results briefing held: Yes (Teleconference for institutional investors)

(Figures less than one million yen truncated)

1. Consolidated financial results for the first nine months of the fiscal year ending October 2022 (November 1, 2021 to July 31, 2022)

(1) Consolidated business results (cumulative)

(Percentages indicate the increase/decrease from the same quarter of the previous year.)

	Sales		Operating profit		Ordinary profit		Current net income quarterly net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended July 31, 2022	99,940	—	-39,142	—	-39,118	—	-33,263	—
Nine months ended July 31, 2021	88,071	-78.0	-47,350	—	-46,260	—	-33,630	—

Note: Comprehensive income
 Nine months ended July 31, 2022 -27,564 million yen (—)
 Nine months ended July 31, 2021 -30,832 million yen (—)

	Per share quarterly net income	After adjusting for residual securities Per share quarterly net income
	Yen sen	Yen sen
Nine months ended July 31, 2022	-453.92	—
Nine months ended July 31, 2021	-511.46	—

Note: From the beginning of the fiscal year that ends October 2022, the "Accounting Standard for Revenue Recognition" has been applied. For this reason, the increase/decrease from the actual value before the application of the relevant standard is not stated.

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	Yen sen
As of July 31, 2022	402,083	44,156	5.4	291.00
As of October 31, 2021	411,447	64,145	9.9	580.00

(Reference) Equity capital
 As of July 31, 2022 21,520 million yen
 As of October 31, 2021 40,627 million yen

2. Dividend status

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Term end	Total
	Yen sen	Yen sen	Yen sen	Yen sen	Yen sen
Fiscal year ending October 31, 2021	—	0.00	—	0.00	0.00
Fiscal year ending October 31, 2022	—	0.00	—		
Fiscal year ending October 31, 2022 (Forecast)				—	—

Note: Revisions from the most recently announced dividends forecast: None

The dividend forecast for the fiscal year ending October 2022 is undecided at this time.

3. Consolidated financial forecast for the fiscal year ending October 2022 (November 1, 2021 - October 31, 2022)

The consolidated earnings forecast for the fiscal year ending October 2022 has not yet been made because it is difficult to reasonably calculate the impact of COVID-19 at this time. We will promptly announce the consolidated earnings forecast when it becomes possible to disclose it.

Note: Revisions from the most recently announced earnings forecast: None

* Notes

(1) Changes in important subsidiaries during the quarter (changes in specific subsidiaries due to changes in the scope of consolidation): None

(2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatements of revisions

① Changes in accounting policy due to revision of accounting standards etc.: Yes

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Revision restatements: None

(4) Number of shares issued (common shares)

① Number of shares issued at the end of the period (including treasury shares)

As of July 31, 2022	79,860,936 shares	As of October 31, 2021	75,969,236 shares
As of July 31, 2022	5,909,130 shares	As of October 31, 2021	5,922,098 shares
Nine months ended July 31, 2022	73,282,347 shares	Nine months ended July 31, 2021	65,755,043 shares

② Number of treasury shares at the end of the period

③ Average number of shares during the period (quarterly cumulative)

* Quarterly financial results are not subject to quarterly reviews by certified accountants or audit corporations.

* Explanation of the appropriate use of earnings forecasts and other special notes

The above forecasts are based on the information available as of the date of publication of this material and make assumptions as of the date of announcement of these materials about uncertain factors affecting future business performance. Actual results may vary greatly depending on various factors. For the assumptions that are the premise of the earnings forecast and the precautions for using the earnings forecast, see [Attachment] Page 3, "1. (1) Explanation of business results" and Page 5 "1. (3) Explanation of consolidated business forecasts and other future forecast information".

1. Qualitative information on this quarter's financial results

(1) Explanation of business results

The business environment during the third quarter of this consolidated fiscal year remained challenging. Although the economy is expected to pick up as measures are taken to prevent the spread of COVID-19 and economic and social activities move toward normalization and also due to the effects of various governmental policies, on the other hand downside risks increased due to fluctuations in financial and capital markets amid global monetary tightening, rising raw material prices, and supply-side constraints.

In this environment, our Group reorganized its management structure and promoted work style reforms in response to the COVID-19 pandemic, such as by transferring employees out of the Group and improving profitability through cost reductions and increased operational efficiency in each country. In addition, based on the corporate philosophy of "contributing to the creative development of humankind and world peace in accordance with the laws of nature," we will continue to change and develop not only through travel business but through various other businesses too. We have aimed to construct a new business that contributes to world peace.

The business results by segment are as follows. Also, the amount for each segment is the amount before inter-segment transactions cancel each other out.

(Travel business)

The overseas and inbound travel markets during the third period of this consolidated fiscal year were affected by entry restrictions and other factors associated with the global spread COVID-19. The number of Japanese departures during the first three quarters of the current consolidated cumulative period was 1.005 million people, which was 6.9% of the figure for the same period of 2019 (before the COVID-19 pandemic) and 328.7% of the figure for the same period of the previous year. The number of foreign visitors to Japan was 684,000 people, which was 2.8% of the figure for the same period of 2019 (before the COVID-19 pandemic) and 260.7% of the figure for the same period of the previous year. (Source: Japan National Tourism Organization (JNTO))

In the overseas travel business, the level of COVID-19 infection risk information has been reduced and as a relaxation of border control measures against COVID-19 infection, the ceiling on the number of people entering the country per day is being raised in stages, and there are other signs of reopening of overseas travel. We offered 9 services "RE:TRAVEL SUPPORT" to support everyone's safe and reliable travel, corresponding to the dynamic packages that were in high demand by our customers. In addition, we are engaged in various measures to stimulate demand for overseas travel, such as flight tickets that come with a PCR test at the time of departure to deal with complicated travel procedures and flight tickets that come with a free travel assurance pack that provides local support if you are infected with COVID-19. Starting with Hawaii tours in May, we have resumed our own tours and have expanded our tours to 37 countries and regions (As of the end of July 2022). However, the number of people arriving in and departing from Japan daily has been greatly reduced, and the number of seats on international flights is limited, so a full-fledged recovery has not yet been achieved.

In the domestic travel business, an increase has been seen in demand for microtourism on a nationwide scale thanks to the government's tourism support for "prefectural and block discounts". Through bus tours and railroad tours, we have worked to attract customers by planning products that meet the needs of micro-tourism and the attractions of each region. In package tours using airplanes, we were able to significantly increase customer referrals through the "Okinawa LeaLea Campaign" and "Anime Travel: Attack on Titan" collaboration projects (Okinawa/Hokkaido) and showed strong recovery from the previous year, but this has not yet reached the level of 2019 pre-COVID-19 level.

In corporate business, in order to deal with the COVID-19 crisis, we have promoted business collaboration as non-travel business through public support projects by governmental agencies (premium gift certificate business, business assisting free PCR tests, My Number Card/My number Point related business, etc.) and though business entrusted to us by companies.

In the overseas travel business, although the situation continues to be complicated by different entry and exit procedures in different countries and staff shortages in the travel industry, the number of areas where travelers can come and go freely is gradually expanding in Europe, the United States, and other countries, as prior PCR inspections and quarantine measures after entry are no longer required, and we saw a recovery in local market travel demand, mainly through our overseas affiliates based in Canada and Europe and our

Turkish subsidiary. In the inbound business for overseas corporations, conditions remained difficult because demand for overseas travel from Japan has not recovered. However, we focused on strengthening business in the local market by promoting businesses other than the travel domain, such as the food and beverage business and the real estate business. In addition, in cooperation with our corporate business, we are further developing our corporate overseas expansion support business and product sales business.

As a result of consolidation and closures in Japan and overseas, the number of sales branches of the Group has decreased to 136 in Japan and 159 branches overseas in 112 cities in 60 countries. (As of the end of July 2022)

As a result of the above, sales for the first three quarters of the current consolidated fiscal year were 39.468 billion yen and the operating loss was 22.555 billion yen.

(Theme Park business)

Huis Ten Bosch received favorable reviews from a wide range of customers for its 30th anniversary special programs, which included the "Kyushu Residents Appreciation Campaign" in April and, to greet the first major consecutive holidays (Golden Week) in three years with no restrictions on activities, the "Early Summer Wine Festival", which included more non-alcoholic drinks and was simultaneously with our annual Rose Festival. In addition, the "Miffy Month 30th Anniversary Special" held in June, strengthened the linkage of events, merchandise sales, food and beverage, and lodging throughout the park, leading to an increase in sales of Miffy-related products. Thanks in part to the balance of days of the Golden Week major consecutive holidays, total attendance was significantly higher, 225.9% of the previous year's, even if it did not reach the pre-COVID-19 pandemic (2019) level.

At Laguna Ten Bosch, the theme park collaboration event "Tokyo Revengers Rally in Laguna Ten Bosch" for the TV anime "Tokyo Revengers", which was held until June, was well received, but the number of visitors did not recover to pre-COVID levels.

As a result of the above, sales for the first three quarters of the current consolidated fiscal year were 15.174 billion yen, the operating loss was 158 million yen, and the profit on an EBITDA basis was 1.367 billion yen.

(Hotel business)

In the hotel business, the Hotel Inspira-S Tashkent opened in Tashkent, the capital of Uzbekistan, bringing the total number of facilities under management to 42 hotels under 8 brands in 6 countries worldwide.

In Japan, occupancy rates showed recovery thanks to the absence of behavioral restrictions in Japan and our efforts to improve services, which included the installation of a remote work box in the existing Henn na Hotel Tokyo Hamamatsucho and the renewal of projection mapping in Henna Hotel Sendai Kokubuncho.

Overseas, although Henn na Hotel New York achieved high occupancy rates due in part to the recovery of the European and U.S. markets, our other hotels did not achieve a significant improvement in the number of guests because of the continuing difficulty of overseas travel from Japan, which is their main target market.

As a result of the above, sales for the first three quarters of the current consolidated fiscal year were 6.112 billion yen, the operating loss was 3.454 billion yen, and the loss on an EBITDA basis was 557 million yen.

(Kyushu Sanko Group)

At the Kyushu Sanko Group, the Kumamoto Citizen Discount, a travel support business, was resumed from April, and the Sakura Machi Kumamoto large-scale commercial facility worked on holding original events and recorded over 1 million visitors in May, and although recovery was also seen in our bus business, in food and beverage sales, in travel business, etc., the overall result was impacted by the COVID-19 pandemic.

As a result of the above, sales for the first three quarters of the current consolidated fiscal year were 13.238 billion yen, the operating loss was 1.083 billion yen, and the profit on an EBITDA basis was 278 million yen.

(Energy business)

In the electric power retail business, although April saw a relative calming of the surge in power procurement prices, we continued to be affected. As of May 20, 2022, the transfer of all shares of HTB Energy Co., Ltd. was completed.

In the power generation business, the price of the RSPO-certified palm oil used for fuel has continued to rise rapidly, so the biomass power plant was only operated for short periods of time that were long enough to maintain the equipment and full-scale operation was put off.

As a result of the above, sales through the first three quarters of the current consolidated fiscal year were 24.328 billion yen and the operating loss was 9.724 billion yen.

As a result of the above, for the first three quarters of the current consolidated fiscal year, we reported net sales of 99.940 billion yen, an operating loss of 39.142 billion yen, an ordinary loss of 39.118 billion yen, and net quarterly loss attributable to owners of the parent company of 33.263 billion yen.

(2) Explanation of financial position

Total assets at the end of the third quarter of the current consolidated fiscal year decreased by 9.363 billion yen from the end of the previous consolidated fiscal year to 402.083 billion yen. This is mainly due to decreases in tangible fixed assets (down 8.033 billion yen from the end of the previous period), loans receivable (down 3.687 billion yen), investment securities (down 2.870 billion yen), and deferred tax assets (down 1.173 billion yen), while on the other hand cash and deposits increased (up 6.473 billion yen).

Liabilities at the end of the third quarter of the current consolidated fiscal year increased 10.625 billion yen from the end of the previous consolidated fiscal year to 357.926 billion yen. This was mainly due to an increase in advances received for travel (up 5.440 billion yen from the end of the previous period) and an increase in the allowance for bonuses (up 723 million yen).

Net assets at the end of the third quarter of the current consolidated fiscal year decreased by 19.988 billion yen from the end of the previous consolidated fiscal year to 44.156 billion yen. This was mainly due to a decrease in retained earnings (down 33.037 billion yen from the end of the previous fiscal year) resulting from the recording of a quarterly net loss attributable to parent company shareholders and on the other hand an increase in capital stock and capital surplus due to a capital increase through increased third-party allotment (up 7.594 billion yen) and an increase in foreign exchange translation adjustment (up 6.879 billion yen).

(3) Explanation of consolidated business forecasts and other future forecast information

Even though measures have been taken to prevent the spread of COVID-19 and economic and social activities are beginning to normalize and although there are moves to ease restrictions on entry into Japan in our mainstay overseas travel business, the Group's corporate activities are expected to continue to be affected due to the uncertainty as to when restrictions will be lifted.

The above makes it difficult to reasonably calculate the impact of the factors discussed above at this time. Therefore, we have not yet determined the outlook for consolidated financial results for the fiscal year ending October 2022. We will announce this outlook as soon as it becomes possible to calculate a rational earnings forecast.

(4) Important events related to the premise of a going concern etc.

Because the Group has continued to record a large operating loss and net loss attributable to shareholders of the parent company since the previous consolidated fiscal year, in light of Audit and Guarantee Practices Committee Report No. 74 "Disclosure of Going Concern Assumptions", it is said that there are events or situations that raise important doubts about the going concern assumption at the end of the third quarter of the current consolidated fiscal year.

To this end, the Group is reducing fixed costs and is selling securities, real estate, and other assets, while at the same time it is requesting financial institutions with which it does business to maintain (refinance) existing loan agreements.

Based on a financing plan that reflects a reasonable forecast of the time for returning to normal from the COVID-19 pandemic and that reflects the effects of countermeasures against COVID-19, the Group has determined that it will be possible to have sufficient funds until July 31, 2023. Therefore, we have determined that there is no significant uncertainty regarding the assumption of a going concern.

2. Consolidated quarterly financial statements and main notes

(1) Quarterly consolidated balance sheet

(Million yen)

	As of October 31, 2021	As of July 31, 2022
Assets section		
Current assets		
Cash and deposits	101,411	107,885
Notes and accounts receivable	16,718	—
Notes receivable, accounts receivable and contract assets	—	16,807
Operating accounts receivable	171	155
Marketable securities	11	273
Pre-travel payments	8,927	10,064
Prepaid expenses	2,179	1,851
Short-term loans	3,479	138
Short-term loans to affiliated companies	233	234
Accounts receivable	7,536	7,014
Others	5,062	4,304
Provision for doubtful receivables	-2,234	-1,906
Total current assets	143,495	146,822
Fixed assets		
Tangible fixed assets		
Buildings (net amount)	84,187	86,798
Tools, equipment, and fixtures (net amount)	10,549	9,706
Land	75,485	71,215
Leased assets (net amount)	13,132	13,127
Construction in progress	11,101	6,273
Other (net amount)	6,836	6,137
Total tangible fixed assets	201,291	193,258
Intangible fixed assets		
Goodwill	4,621	4,165
Others	15,486	15,805
Total intangible fixed assets	20,107	19,971
Investments and other assets		
Investment marketable securities	5,716	2,845
Affiliated company shares	2,559	2,909
Investments in affiliated companies	77	77
Long-term loans	66	14
Long-term loans to affiliated companies	901	605
Assets related to retirement benefits	727	721
Deferred tax assets	11,135	9,962
Guarantee deposits	21,896	21,152
Others	4,286	4,395
Provision for doubtful receivables	-1,105	-904
Investment and other asset total	46,263	41,780
Total fixed assets	267,662	255,010
Deferred assets	289	250
Total assets	411,447	402,083

(Million yen)

	As of October 31, 2021	As of July 31, 2022
Liabilities section		
Current liabilities		
Operating accounts payable	12,978	12,372
Short-term borrowing	28,240	27,892
Long-term borrowing scheduled to be repaid within one year	4,557	31,908
Accounts payable	4,331	3,776
Accrued expenses	4,320	4,273
Income taxes payable etc.	529	798
Accrued consumption tax etc.	624	983
Pre-travel receipts	14,112	19,552
Lease obligations	2,454	2,665
Bonus reserve	779	1,503
Directors' bonus reserve	25	58
Others	14,299	20,394
Total current liabilities	87,254	126,182
Fixed liabilities		
Corporate bonds	20,000	20,000
Convertible corporate bonds with share options	25,054	25,041
Long-term borrowing	184,643	156,762
Deferred tax liability	4,982	4,554
Retirement benefit revenue	7,659	7,670
Director retirement benefit reserve	393	430
Lease obligations	12,410	12,193
Others	4,902	5,092
Total fixed liabilities	260,047	231,744
Total liabilities	347,301	357,926
Net assets section		
Shareholders' equity		
Capital	21,048	24,798
Capital surplus	13,328	17,172
Earned surplus	22,275	-10,761
Treasury shares	-15,004	-14,972
Total shareholders' equity	41,647	16,237
Cumulative other comprehensive income		
Other marketable security valuation difference	713	179
Deferred hedge loss or gain	7	16
Foreign currency translation adjustment account	-1,859	5,019
Cumulative adjustment for retirement benefits	118	67
Total cumulative other comprehensive income	-1,020	5,282
Share options	158	385
Noncontrolling shareholder equity	23,360	22,251
Total net assets	64,145	44,156
Total liabilities and net assets	411,447	402,083

(2) Quarterly consolidated income statement and quarterly consolidated comprehensive income statement
(Quarterly consolidated income statement)

(Million yen)

	Nine months ended July 31, 2021	Nine months ended July 31, 2022
Sales	88,071	99,940
Sales cost	82,308	84,573
Gross sales profit	5,762	15,367
Selling expenses and general administrative expenses	53,113	54,509
Operating loss (-)	-47,350	-39,142
Non-operating income		
Interest received	612	180
Currency exchange gain	869	593
Subsidy income	752	476
Others	1,646	1,321
Total non-operating income	3,881	2,572
Non-operating expenses		
Interest expense	766	1,469
Others	2,024	1,079
Total non-operating expenses	2,791	2,548
Ordinary loss (-)	-46,260	-39,118
Extraordinary profit		
Gain on sales of fixed assets	1,365	1,364
Gain on sale of investments in securities	808	1,442
Gain on sale of shares of affiliated companies	394	-
Subsidy income	12,941	9,652
Total extraordinary profit	15,509	12,459
Extraordinary loss		
Impairment loss	573	771
Loss on revaluation of investments in securities	736	-
Loss on sale of shares of affiliated companies	-	2,992
Loss due to temporary closure	2,929	1,274
Total extraordinary loss	4,239	5,037
Net loss before taxes etc. (-)	-34,990	-31,696
Income taxes	688	2,331
Quarterly net loss (-)	-35,679	-34,027
Net quarterly loss attributable to noncontrolling shareholders (-)	-2,048	-763
Net quarterly loss attributable to parent company shareholders (-)	-33,630	-33,263

(Quarterly consolidated comprehensive income statement)

(Million yen)

	Nine months ended July 31, 2021	Nine months ended July 31, 2022
Quarterly net loss (-)	-35,679	-34,027
Other comprehensive income		
Other marketable security valuation difference	58	-533
Deferred hedge loss or gain	-0	9
Foreign currency translation adjustment account	4,747	7,007
Adjustment for retirement benefits	-21	-54
Amount equivalent to equity in an affiliate applying equity method	62	34
Total other comprehensive income	4,846	6,462
Quarterly comprehensive income	-30,832	-27,564
(breakdown)		
Comprehensive quarterly income related to parent company shareholders	-29,121	-26,960
Comprehensive income for non-controlling shareholders	-1,710	-604

(Segment information etc.)

[Segment information]

I First nine months ended July 31 2021 (from November 1, 2020 to July 31, 2021)

1. Information on the amount of sales and profits or losses for each reporting segment

(Million yen)

	Reporting segment						Others (Note 1)	Total	Adjustment amount (Note 2)	Quarterly consolidated income statement Recorded amount (Note 3)
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Total				
Sales										
Sales to external customers	33,069	11,381	3,298	12,454	26,017	86,219	1,851	88,071	—	88,071
Internal sales or transfers between segments	54	458	214	2	80	810	568	1,378	-1,378	—
Total	33,124	11,839	3,512	12,456	26,097	87,030	2,419	89,450	-1,378	88,071
Segment loss (-)	-28,890	-2,108	-4,387	-1,875	-7,952	-45,214	-625	-45,840	-1,509	-47,350

Notes 1. The "Other" category is a business segment that is not included in any reporting segment. It includes, for example, non-life insurance business and real estate business.

2. The segment loss (-) adjustment of -1.509 billion yen is company-wide expenses not allocated to any reporting segment. It mainly comprises expenses related to the parent company head office management department that do not belong to a reporting segment.

3. Segment loss (-) is adjusted with the operating loss in the quarterly consolidated income statement.

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

(Million yen)

	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Others	Total
Segment loss (-)	-28,890	-2,108	-4,387	-1,875	-7,952	-625	-45,840
Depreciation and goodwill amortization	3,218	1,557	2,394	1,401	370	284	9,226
EBITDA (*)	-25,671	-550	-1,993	-473	-7,582	-341	-36,613

*EBITDA is the value obtained by adding depreciation and goodwill amortization to the segment loss (-).

2. Matters concerning changes etc. in reporting segments

At the end of the previous consolidated fiscal year, the name of "Huis Ten Bosch Group" was changed to "Theme Park Business". Also, in the previous consolidated fiscal year, hapi-robo st, Inc., was reclassified from "Theme Park Business" to "Others" and Watermark Hotel Nagasaki Co., Ltd., was reclassified from "Hotel Business" to "Theme Park Business". The segment information through the first nine months of the current consolidated fiscal year shown here has been prepared based on the changed reporting segment classifications.

3. Information on impairment loss or goodwill of fixed assets for each reporting segment

(Significant impairment loss on fixed assets)

There is no significant impairment loss.

(Significant change in the amount of goodwill)

There were no significant changes.

(Significant gain on negative goodwill)

None

I First nine months ended July 31 2022 (from November 1, 2021 to July 31, 2022)

1. Information on the amount of sales and profits or losses for each reporting segment

(Million yen)

	Reporting segment						Others (Note 1)	Total	Adjustment amount (Note 2)	Quarterly consolidated income statement Recorded amount (Note 3)
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Total				
Sales										
Sales to external customers	39,267	14,776	5,937	13,231	24,240	97,452	2,487	99,940	—	99,940
Internal sales or transfers between segments	201	398	174	7	87	869	473	1,342	-1,342	—
Total	39,468	15,174	6,112	13,238	24,328	98,321	2,960	101,282	-1,342	99,940
Segment loss (-)	-22,555	-158	-3,454	-1,083	-9,724	-36,976	-787	-37,764	-1,377	-39,142

Notes 1. The "Other" category is a business segment that is not included in any reporting segment. It includes, for example, non-life insurance business and real estate business.

2. The segment loss (-) adjustment of -1.377 billion yen is company-wide expenses not allocated to any reporting segment. It mainly comprises expenses related to the parent company head office management department that do not belong to a reporting segment.

3. Segment loss (-) is adjusted with the operating loss in the quarterly consolidated income statement.

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

(Million yen)

	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Others	Total
Segment loss (-)	-22,555	-158	-3,454	-1,083	-9,724	-787	-37,764
Depreciation and goodwill amortization	2,824	1,526	2,896	1,362	451	214	9,275
EBITDA (*)	-19,730	1,367	-557	278	-9,273	-573	-28,488

*EBITDA is the value obtained by adding depreciation and goodwill amortization to the segment loss (-).

2. Matters concerning changes etc. in reporting segments

From the beginning of the first quarter of the current consolidated fiscal year, the accounting standards for revenue recognition were applied and the accounting method for revenue recognition was changed. As a result, we have changed the method of calculating reporting segment profit or loss in the same way. As a result of this change, compared to the previous accounting method, sales through the first nine months of the current consolidated fiscal year decreased by 63.889 billion yen for the Travel Business, 473 million yen for the Theme Park Business, 792 million yen for the Kyushu Sanko Group, and 2.790 billion yen for the Energy Business.

In addition, the operating loss for the Travel Business decreased by 433 million yen.

3. Significant decrease in assets due to decrease of subsidiaries

HTB Energy Co., Ltd., which had been a consolidated subsidiary, was excluded from consolidation during the third quarter of the current consolidated fiscal year. As a result, the segment assets of the Energy Business decreased by 11.358 billion yen compared to the end of the previous consolidated fiscal year.

4. Information on impairment loss or goodwill of fixed assets for each reporting segment

(Significant impairment loss on fixed assets)

Impairment losses of 110 million yen in the travel business, 171 million yen in the hotel business, and 377 million yen in other businesses were recorded.

(Significant change in the amount of goodwill)

In other businesses, the amount of goodwill has changed significantly due to the impairment of goodwill. The amount of decrease in goodwill due to this event is 377 million yen. The amount stated above (significant impairment loss related to fixed assets) includes the amount of impairment of goodwill.

(Significant gain on negative goodwill)

None

(Important subsequent events)

(Agreement concluded on the transfer of consolidated subsidiary shares)

The Company entered into an agreement on August 30, 2022 to transfer all shares held by the Company in its consolidated subsidiary Huis Ten Bosch Co., Ltd. (hereinafter, "Huis Ten Bosch"), and will transfer such shares on September 30, 2022.

1. Outline of Business Divestiture

(1) Name of company to which shares are transferred

PAG HTB Holdings K.K.

(2) Name of subsidiary to be transferred

Huis Ten Bosch Co., Ltd.

(3) Description of business to be transferred

Operation of theme parks, hotels, etc.

(4) Main reason for share transfer

Our mission since April 2010 has been to restructure the management of Huis Ten Bosch, and we have participated in the theme park business in order to contribute to the realization of Japan's goal of making itself a top international tourism destination, as well as to revitalize the local community and create employment. Huis Ten Bosch had been in the red for the 18 years since its opening, but through various improvements and reforms, it has achieved profitability for 10 consecutive years since becoming a member of our group. Although it recorded a loss in the most recent fiscal year due to the COVID-19 pandemic, it expects to return to profitability in the current fiscal year by developing measures for the 30th anniversary project against the backdrop of a stable management base, and we believe that we have fulfilled our role of restructuring management, revitalizing the region, and creating jobs.

We have decided to transfer all of our shares in Huis Ten Bosch to the transferee based on our judgment that business expansion based on an effective supply of funds utilizing the transferee's knowledge of the theme park business will contribute to the enhancement of Huis Ten Bosch's corporate value over the medium to long term.

(5) Date of share transfer (planned)

September 30, 2022

(6) Summary of shares to be transferred

Number of shares before transfer 20,000,000 shares (Voting rights ownership ratio: 66.67%)

Number of shares to be transferred 20,000,000 shares

Number of shares after transfer - shares (Voting rights ownership ratio: -%)

(7) Transfer price

66.660 billion yen

(8) Other matters related to the outline of the transaction, including legal forms

Share transfers for which the consideration to be received is cash or other property only

2. Accounting treatment

The Company plans to record an extraordinary gain in the fourth quarter of the current consolidated fiscal year as a result of this stock transfer, but the amount is still under scrutiny.

3. Report segment that includes the business to be transferred

Theme Park business

(Reduction of capital or reserves and appropriation of surplus)

At a meeting of the Board of Directors held on August 26, 2022, the Company resolved to hold an extraordinary general meeting of shareholders and to submit to this general meeting of shareholders a proposal for reduction of capital stock and capital reserve and appropriation of surplus.

1. Purpose of reduction of capital stock and capital reserve and appropriation of surplus

The Company proposes to reduce capital stock and capital reserves and to appropriate surplus for the purposes of covering the deficit in retained earnings brought forward and of improving our financial soundness, as well as of ensuring flexibility and mobility of capital policy including shareholder return, and of reducing tax burdens. There will be no change in the total number of shares issued and outstanding or the amount of net assets as a result of this transaction, and no effect on the number of shares held by shareholders and the amount of net assets per share.

2. Outline of capital stock reduction

(1) Amount of capital stock reduction

The 24,798,830,965 yen of capital stock will be reduced by 24,698,830,965 yen to 100,000,000 yen.

(2) Method of capital stock reduction

The total number of shares issued will not be changed and the entire amount of capital to be reduced, 24,698,830,965 yen, will be transferred to other capital surplus.

3. Outline of Reduction of Capital Reserve

(1) Amount of capital reserve reduction

The amount of capital reserves will be reduced by 17,434,890,612 yen from 17,459,890,612 yen to 25,000,000 yen.

(2) Method of capital reserve reduction

The total number of shares issued will not be changed and the 17,434,890,612 yen of capital reserve reduced will be transferred to other capital surplus.

4. Outline of Appropriation of Surplus

Pursuant to Article 452 of the Companies Act, other capital surplus will be transferred to retained earnings to be carried forward to compensate for the deficit, subject to the above reduction in capital stock and capital reserve becoming effective.

(1) Item and amount of surplus to be reduced

Other capital surplus 13,363,940,033 yen

(2) Item and amount of surplus to be increased

Retained earnings brought forward 13,363,940,033 yen

5. Schedule

(1) Resolution by the Board of Directors	August 26, 2022
(2) Final date for creditors' objections	October 24, 2022 (planned)
(3) Extraordinary shareholders' meeting resolution	October 27, 2022 (planned)
(4) Effective date	October 27, 2022 (planned)

6. Others

The above details are subject to approval of the proposal for reduction of capital stock and capital reserve and appropriation of surplus at the extraordinary general meeting of shareholders scheduled for October 27, 2022.