Annual Securities Report

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

The 42nd Fiscal Year	From November 1, 2021 to October 31, 2022

H.I.S. Co., Ltd.

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

(E04358)

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[Company Name]	H.I.S. Co., Ltd.
[Company Name in English]	H.I.S. Co., Ltd.
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[Location of Headquarters]	4-1-1 Toranomon, Minato-ku, Tokyo
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[Contact Person]	Osamu Hanazaki, Executive Officer, Headquarters Accounting General Manager
[Place Where the Filed Document is Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated financial data

Fiscal year		38th	39th	40th	41st	42nd
Year end		October 2018	October 2019	October 2020	October 2021	October 2022
Net sales	(millions of yen)	728,554	808,510	430,284	118,563	142,794
Ordinary profit (loss)	(millions of yen)	19,499	17,089	(31,283)	(63,299)	(49,001)
Profit (loss) attributable to owners of parent	(millions of yen)	11,067	12,249	(25,037)	(50,050)	(9,547)
Comprehensive income	(millions of yen)	11,606	11,432	(33,573)	(48,430)	(2,424)
Net assets	(millions of yen)	115,641	123,909	98,421	64,145	56,636
Total assets	(millions of yen)	516,468	577,399	414,604	411,447	414,984
Net assets per share	(yen)	1,539.98	1,686.22	1,177.91	580.00	641.24
Earnings (loss) per share	(yen)	192.96	213.63	(432.66)	(749.86)	(130.00)
Diluted earnings per share	(yen)	166.87	197.66	－	－	－
Shareholders' equity ratio	(%)	17.1	16.8	17.8	9.9	11.4
Return on equity	(%)	12.7	13.2	－	－	－
Price-earnings ratio	(times)	17.7	13.2	－	－	－
Cash flows from operating activities	(millions of yen)	20,397	39,344	(57,718)	(28,397)	(14,915)
Cash flows from investing activities	(millions of yen)	(44,841)	(52,116)	(47,901)	(7,095)	53,520
Cash flows from financing activities	(millions of yen)	48,304	15,362	(5,602)	40,711	5,458
Cash and cash equivalents at end of period	(millions of yen)	191,440	192,541	80,445	88,079	136,939
Number of employees [Average number of temporary employees not included in the above]	(persons)	13,875 [3,179]	15,202 [3,191]	13,990 [2,333]	10,618 [1,832]	9,389 [1,460]

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

2. Although there were dilutive shares in the 40th, 41st and 42nd fiscal years, diluted earnings per share are not stated due to the recording of a loss per share.

3. In the 40th, 41st and 42nd fiscal years, return on equity and price-earnings ratio are not stated due to

the recording of a loss attributable to owners of parent.

4. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan) has been applied from the beginning of the 42nd fiscal year, and figures for the 42nd fiscal year are after applying this Accounting Standard.

(2) Non-consolidated financial data

Fiscal year		38th	39th	40th	41st	42nd
Year end		October 2018	October 2019	October 2020	October 2021	October 2022
Net sales	(millions of yen)	459,627	479,445	159,261	26,694	39,967
Ordinary profit (loss)	(millions of yen)	6,557	6,551	(11,263)	(20,245)	(17,971)
Profit (loss)	(millions of yen)	2,038	6,848	(6,355)	(29,908)	27,971
Share capital	(millions of yen)	11,000	11,000	15,000	21,048	100
Total number of issued shares	(shares)	68,522,936	68,522,936	68,768,936	75,969,236	79,860,936
Net assets	(millions of yen)	19,099	24,741	24,677	7,262	42,636
Total assets	(millions of yen)	322,107	335,222	255,945	263,385	301,447
Net assets per share	(yen)	325.85	431.11	390.24	101.42	571.14
Total dividends per share (INTERIM dividend amount)	(yen)	29.00 (—)	33.00 (—)	— (—)	— (—)	— (—)
Earnings (loss) per share	(yen)	35.53	119.44	(109.83)	(448.09)	380.90
Diluted earnings per share	(yen)	30.25	110.25	—	—	356.80
Shareholders' equity ratio	(%)	5.8	7.4	9.6	2.7	14.0
Return on equity	(%)	9.7	31.6	—	—	113.4
Price-earnings ratio	(times)	96.4	23.6	—	—	5.4
Dividend payout ratio	(%)	81.6	27.6	—	—	—
Number of employees [Average number of temporary employees not included in the above]	(persons)	5,498 [722]	5,638 [791]	5,896 [708]	4,078 [578]	3,822 [567]
Total shareholder return	(%)	91.0	75.8	38.6	69.1	55.9
(Benchmark: TOPIX incl. dividends)	(%)	(95.2)	(98.9)	(96.0)	(124.2)	(123.0)
Highest share price	(yen)	4,250	4,520	3,225	3,030	2,724
Lowest share price	(yen)	2,970	2,346	1,096	1,412	1,665

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

2. Although there were dilutive shares in the 40th and 41st fiscal years, diluted earnings per share are not

stated due to the recording of a loss per share.

３．In the 40th, and 41st fiscal years, return on equity, price-earnings ratio, and dividend payout ratio are not stated due to the recording of a loss.

４．The dividend payout ratio for the 42nd term is not stated as there was no dividend.

５．The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange until April 3, 2022, and those on the Prime Market of the Tokyo Stock Exchange from April 4, 2022 onward.

６．"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan) This has been applied since the beginning of the 42nd fiscal year, and the figures for the 42nd fiscal year are after applying this Accounting Standard.

2. Corporate History

Month/Year	Events
December 1980	Established International Tours Co., Ltd. (capital: 10 million yen) at 1-4-6 Nishishinjuku, Shinjuku-ku, Tokyo for the purpose of selling overseas airline tickets
	Opened Osaka Branch (currently Umeda Head Office) in Kita-ku, Osaka
April 1981	Obtained Retail Agency License (No. 3034) from Ministry of Transportation
December 1983	Opened Fukuoka Branch (currently Fukuoka Tenjin Head Office) in Chuo-ku, Fukuoka
September 1984	Opened Nagoya Branch (currently Sakae Head Office) in Nakamura-ku, Nagoya
May 1985	Established HIS (HONG KONG) COMPANY LIMITED
June 1986	Obtained General Travel Agency License (No. 724) from Ministry of Transportation
January 1988	Established H.I.S. INTERNATIONAL TOURS (NY) INC.
October 1989	Established H.I.S. Deutschland Touristik GmbH
April 1990	Changed Company name to H.I.S. Co., Ltd.
August 1990	Established Passaporte Co., Ltd. (currently QUALITA Co., Ltd.)
September 1990	Established No. 1 Travel Shibuya Co., Ltd.
December 1990	Received approval as a certified International Air Transport Association (IATA) agent
	Established H.I.S. AUSTRALIA PTY. LTD.
April 1991	Established H.I.S. KOREA CO., LTD.
November 1991	Established Central Sales Division as a headquarters organization; established Kanto, Chubu, Kansai, and Kyushu Area Sales Divisions as regional organizations
August 1992	Established H.I.S. INTERNATIONAL TOURS FRANCE SARL (currently HIS INTERNATIONAL TOURS FRANCE SAS)
April 1993	Established H.I.S. INTERNATIONAL TRAVEL PTE LTD
May 1993	Opened Shinjuku Headquarters Branch (currently Shinjuku Head Office) at Southgate Shinjuku, 5-33-8 Sendagaya, Shibuya-ku, Tokyo
September 1993	Acquired equity stake in HAWAII HIS CORPORATION
January 1994	Consolidated the Nagoya Branch and the Nagoya Sakae Branch in Higashi-ku, Nagoya, to establish the Nagoya Branch (currently Sakae Head Office) as a large retail branch
	Established H.I.S. AUSTRALIA HOLDINGS PTY LTD
	Established H.I.S. INVESTMENTS PTY LTD
September 1994	Consolidated the Fukuoka Branch, Tenjin Branch, and Head Office Branch in Hakata-ku, Fukuoka, to establish Travel Wonderland Kyushu as a large retail branch
October 1994	Moved and expanded the Osaka Branch to establish Travel Wonderland Kansai (currently Umeda Head Office) as a large retail branch
March 1995	Shares registered with Japan Securities Dealers Association for over-the-counter sales
May 1995	Established H.I.S. INTERNATIONAL TOURS (BC) INC. (currently H.I.S. CANADA INC.)
September 1995	Established THE WATERMARK HOTEL GROUP PTY LTD
December 1995	Established PT. HARUM INDAH SARI TOURS & TRAVEL
January 1996	Established H.I.S. INTERNATIONAL TOURS KOREA INC.
March 1996	Established H.I.S. ITALIA S.R.L. (currently H.I.S. EUROPE ITALY S.R.L.)
November 1996	Opened THE WATERMARK HOTEL, GOLD COAST
March 1997	Established H.I.S. Tours Co., Ltd.
July 1997	Moved Yokohama Branch to Nishi-ku, Yokohama and established Travel Wonderland Yokohama (currently Yokohama Head Office) as a large retail branch
October 1997	Established H.I.S. GUAM, INC.
	Established H.I.S. SAIPAN, INC.
April 1998	Opened large retail branch Travel Wonderland Shibuya (currently Shibuya Head Office) in Shibuya-ku, Tokyo
June 1998	Opened large retail branch Travel Wonderland Omiya (currently Omiya Head Office) in Omiya-ku, Saitama
October 1999	Opened large retail branch Travel Wonderland Sapporo (currently Sapporo Head Office) in Chuo-ku, Sapporo
December 1999	Acquired equity stake in H.I.S. TAIWAN COMPANY LIMITED
March 2000	Made H.I.S. Kyoritsu Securities Co., Ltd. (currently Sawada Holdings Co., Ltd.) a subsidiary
April 2000	Moved headquarters function and Kanto Area Sales Division to the Shibuya Mark City West Building, 1-12-1 Dogenzaka, Shibuya-ku, Tokyo
May 2000	Acquired Towa Travel Service (currently Orion Tour Co., Ltd.) and made it a subsidiary
December 2000	H.I.S. EUROPE LIMITED

Month/Year	Events
February 2001	Dissolved capital relationship with H.I.S. Kyoritsu Securities Co., Ltd. (currently Sawada Holdings Co., Ltd.)
August 2002	H.I.S. U.S.A. INC. (currently H.I.S. U.S.A. HOLDING, INC.)
November 2002	Acquired Cruise Planet Co., Ltd. and made it a subsidiary
December 2002	Listed shares on the 2nd Section of the Tokyo Stock Exchange
December 2003	Established HIS (FIJI) LIMITED
April 2004	Moved headquarters function and Kanto Area Sales Division to the Sumitomo Fudosan Shinjuku Oak Tower, 6-8-1 Nishishinjuku, Shinjuku-ku, Tokyo
September 2004	Opened Travel Station Marunouchi Oazo Office (currently Marunouchi Head Office) in Chiyoda-ku, Tokyo
October 2004	Listed shares on the 1st Section of the Tokyo Stock Exchange
	H.I.S. (Austria) Travel GmbH
September 2005	Opened WHG INVESTMENTS BRISBANE PTY LTD
October 2005	Acquired equity stake in Kyushu Industrial Transportation Co., Ltd. (currently Kyushu Sangyo Kotsu Holdings Co., Ltd.)
May 2006	Acquired equity stake in H.I.S.-SONGHAN VIETNAM TOURIST JOINT VENTURE COMPANY LTD. (currently H.I.S SONGHAN VIETNAM TOURIST COMPANY LTD.)
July 2006	H.I.S. Travel Switzerland AG
September 2007	H.I.S. TRAVEL (UAE) L.L.C. (currently HIS TRAVEL & TOURISM L.L.C.)
April 2008	Reorganized four regional bases (Kanto, Chubu, Kansai, and Kyushu/Chugoku Area Sales Divisions) into the East Japan (Kanto, Tohoku, Hokkaido) and West Japan (Chubu, Kansai, Kyushu, and Chugoku) sales regions
	H.I.S. Travel Nederland B.V.
June 2008	H.I.S. (PHILIPPINES) TRAVEL CORP.
July 2008	Acquired equity stake in H.I.S. (HAINAN) INTERNATIONAL TRAVEL SERVICE CO., LTD
December 2008	Opened the Company’s first hotel in Japan, Watermark Hotel Sapporo
January 2009	Made Ohshu Express Ltd. a subsidiary
April 2009	H.I.S. NEW ZEALAND LIMITED
April 2010	Made Huis Ten Bosch a subsidiary
May 2010	H.I.S. (SHANGHAI) INTERNATIONAL TRAVEL SERVICE CO., LTD
January 2011	Established HTB CRUISE Co., Ltd.
July 2011	Opened Watermark Hotel Nagasaki Huis Ten Bosch
April 2012	Made GUAM REEF HOTEL, INC. a subsidiary
July 2012	Made Kyushu Sangyo Kotsu Holdings Co., Ltd. a subsidiary
September 2012	Expanded opening of Travel Wonderland Jakarta
December 2012	Established ASIA ATLANTIC AIRLINES CO., LTD.
March 2013	Expanded opening of Travel Wonderland Bangkok
April 2013	Expanded opening of Travel Wonderland Saigon
	Opened Shinjuku Sanchome Head Office (currently HAWAII Shinjuku Sanchome Office) as a large retail branch in Shinjuku-ku, Tokyo
May 2014	Established Laguna Ten Bosch Co., Ltd.
June 2014	Expanded opening of Travel Wonderland Phnom Penh
May 2015	Opened Watermark Hotel & Spa Bali, Jimbaran on Bali Island, Indonesia
July 2015	Opened Henn na Hotel, showcasing cutting-edge technologies, at Huis Ten Bosch
November 2015	Established LY-HIS Co., Ltd., a joint venture with LY.com
December 2015	Established INTERPARK TOUR JAPAN Co., Ltd., a joint venture with INTERPARK
March 2016	Opened second wing at Henn na Hotel in Huis Ten Bosch
April 2016	Began electric power sales
November 2016	H.I.S. Hotel Holdings Co., Ltd.
December 2016	Made Merit Holdings Inc. a subsidiary
	Made H.S. Insurance Co., Ltd. a subsidiary
March 2017	Established H.I.S. SUPER Power Co., Ltd.
	Opened Henn na Hotel Maihama Tokyo Bay
May 2017	Established H.I.S. Okinawa Co., Ltd.
	Made GROUP MIKI HOLDINGS LIMITED a subsidiary
	Made Green World Hotels Co., Ltd. a subsidiary
August 2017	Opened Henn na Hotel Laguna Ten Bosch
November 2017	Made JONVIEW CANADA INC. a subsidiary

Month/Year	Events
December 2017	Opened Henn na Hotel Tokyo Nishikasai
January 2018	Opened Henn na Hotel Tokyo Ginza
April 2018	Opened Henn na Hotel Tokyo Hamamatsucho
May 2018	Established H.I.S. Energy Holdings Co., Ltd.
July 2018	Opened Henn na Hotel Tokyo Asakusabashi
	Opened Henn na Hotel Tokyo Akasaka
October 2018	Opened Henn na Hotel Tokyo Haneda
January 2019	Opened Henn na Hotel Fukuoka Hakata
	Opened Henn na Hotel Osaka Shinsaibashi
March 2019	Opened Henn na Hotel Osaka Namba
	Made RED LABEL VACATIONS INC. a subsidiary
April 2019	Opened Henn na Hotel Kyoto Hachijoguchi-ekimae
September 2019	Opened Henn na Hotel Tokyo Asakusa Tawaramachi
	Opened large-scale commercial facility SAKURA MACHI Kumamoto in Sakuramachi, Kumamoto
October 2019	Opened Henn na Hotel Kansai Airport
November 2019	Renewed corporate logo to celebrate 40th anniversary since founding
December 2019	Opened Henn na Hotel Kanazawa Korinbo
June 2020	Expanded headquarters by relocating to Tokyo World Gate Kamiyacho Trust Tower
August 2020	Established H.I.S. Real Estate Co., Ltd.
October 2020	Opened Watermark Hotel Kyoto
	Opened Henn na Hotel Nara
December 2020	Opened Henn na Hotel Komatsu-ekimae
March 2021	Succeeded operations of Resort Hotel Kume Island
June 2021	Established Green Ocean Co., Ltd. to operate a staffing business
July 2021	Opened HOTEL VISON
	Opened Mantenno Tsujinoya, the first Japanese inn of the Japanese inn regeneration project
August 2021	Opened Henn na Hotel Seoul Myeong dong
September 2021	Opened Henn na Hotel Sendai Kokubuncho
October 2021	Opened Henn na Hotel New York
March 2022	Opened Hotel Inspira-S Tashkent
April 2022	Moved from the First Section of the Tokyo Stock Exchange to the Prime Market due to a review of the Tokyo Stock Exchange's market classifications
May 2022	Established HIS Farmers Co., Ltd. in Farming Business
	Transferred all stock to HTB Energy Co., Ltd.
August 2022	Opened Watermark Hotel & Resorts OkinawaMiyakojima
September 2022	Transferred all shares of Huis Ten Bosch to PAG HTB Holdings Co., Ltd.
October 2022	Opened glamping facility GLAMHIDE WITH DOG KOMATSU
	Transferred all shares from H.I.S. SUPER Power Co., Ltd. to Kyushu Ohisama Power Generation Co., Ltd.

3. Description of Business

The H.I.S. Group (H.I.S. Co., Ltd. and associated companies; hereinafter, the “H.I.S. Group” or the “Group”) comprises H.I.S. Co., Ltd. (hereinafter, the “Company”), 171 subsidiaries, and 19 associates. The main businesses operated by the Group and the positioning of the Company and associated companies in these businesses are shown below.

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

(1) Travel Business

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

[Associated Companies]

HAWAII HIS CORPORATION	H.I.S. EUROPE LIMITED
H.I.S. INTERNATIONAL TOURS (NY) INC.	HIS INTERNATIONAL TOURS FRANCE SAS
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
H.I.S. SAIPAN, INC.	
JONVIEW CANADA INC.	GROUP MIKI HOLDINGS LIMITED
H.I.S. - RED LABEL VACATIONS INC.	Orion Tour Co., Ltd.
H.I.S. KOREA CO., LTD.	QUALITA Co., Ltd.
H.I.S. Tours Co., Ltd.	Ohshu Express Ltd.
PT. HARUM INDAH SARI TOURS & TRAVEL	TOUR WAVE CO., LTD.
HIS (HONG KONG) COMPANY LIMITED	Japan Holiday Travel Co., Ltd.
H.I.S. TAIWAN COMPANY LIMITED	Cruise Planet Co., Ltd.
H.I.S. INTERNATIONAL TRAVEL PTE LTD	
H.I.S. AUSTRALIA PTY. LTD.	and 107 other companies

(2) Theme Park Business

The H.I.S. Group owns and operates a theme park located in Gamagori, Aichi Prefecture.

[Associated Companies]

Laguna Ten Bosch Co., Ltd.	and 4 other companies

(3) Hotel Business

The H.I.S. Group operates hotels and other ancillary businesses in Japan, Taiwan, the U.S., Indonesia, etc.

[Associated Companies]

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

(4) Kyushu Sanko Group

The Kyushu Sanko Group, whose holding company is KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO, LTD., is a segment of the H.I.S. Group that engages in vehicle transportation, real estate leasing, and other operations.

[Associated Companies]

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

(5) Energy Business

The H.I.S. Group was engaged in retail electricity sales, the development of new electric power including renewable energy, and other ancillary businesses, but in the current term the H.I.S. Group has sold HTB ENERGY CO., LTD., which was engaged in retail electricity sales, and H.I.S. SUPER Power Co., Ltd., which was engaged in the development of new electric power including renewable energy, and has therefore withdrawn from these businesses.

[Associated Companies]

H.I.S. Energy Holdings Co., Ltd.

(6) Other businesses

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

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

[Associated Companies]

H.S. Insurance Co., Ltd.	SYS Inc.
	and 19 other companies

The following table illustrates the H.I.S. Group's operating relationships.

Customers and business partners

Provision of overseas/domestic travel and related products & services

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

◇ Overseas/domestic air tickets, hotels, Railway, cruise, and other types Sale of travel goods and provision of other incidental business

◇ Provision of ground arrangement services for overseas and domestic travel
◇ Outsourcing of non-life insurance agency services

Consolidated subsidiaries 132 companies(*)
Non-consolidated subsidiaries 39 companies (unmarked)
Entities accounted for using equity method 3 companies(◎)
Entities not accounted for using equity method 16 companies (unmarked)
Total 190 companies

Subsidiaries and affiliates

Travel business	
* HAWAII HIS CORPORATION	* H.I.S. AUSTRALIA PTY. LTD.
* H.I.S. INTERNATIONAL TOURS (NY) INC.	* H.I.S. EUROPE LIMITED
* H.I.S GUAM, INC.	* HIS INTERNATIONAL TOURS FRANCE SAS
* H.I.S CANADA INC.	* H.I.S Deutschland Touristik GmbH
* H.I.S – MERIT TRAVEL INC.	* H.I.S EUROPE ITALY S.R.L.
* H.I.S SAIPAN, INC.	* HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI
* JONVIEW CANADA INC.	* GROUP MIKI HOLDINGS LIMITED
* H.I.S RED LABEL VACATIONS INC.	* Orion Tour Co., Ltd.
* H.I.S. KOREA CO., LTD.	* QUALITA Co., Ltd.
* H.I.S. Tours Co., Ltd.	* Ohshu Express Ltd.
* PT. HARUM INDAH SARI TOURS & TRAVEL	* TOUR WAVE CO., LTD.
* HIS (HONG KONG) COMPANY LIMITED	* Japan Holiday Travel Co., Ltd.
◎ H.I.S TAIWAN COMPANY LIMITED	* Cruise Planet Co., Ltd.
* H.I.S. INTERNATIONAL TRAVEL PTE LTD	Other 107 companies (of which, *:76 companies, ◎:2 companies、unmarked:29 companies)

Theme Park Business	
* Laguna Ten Bosch Co., Ltd.	Other 4 companies (of which, unmarked: 4 companies)

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

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

Energy Business	
* H.I.S. Energy Holdings Co., Ltd.	

Other businesses	
* H.S. Insurance Co., Ltd.	* SYS Inc.
	Other 19 companies (of which, *:3 companies, unmarked: 16 companies)

4. Information on Subsidiaries and Associates

(1) Consolidated Subsidiaries

Company name	Address	Share capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. U.S.A. HOLDING, INC. (Note 3)	Delaware, U.S.A.	thousand USD 847	Travel Business	100.0	① Concurrent Director Two concurrent directors at said company
HAWAII HIS CORPORATION (Note 2) (Note 3)	Honolulu, Hawaii, U.S.A.	thousand USD 100	Travel Business	100.0 (100.0)	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies ③ Capital Assistance The Company guarantees liabilities (up to 62 million yen) against bank guarantees.
H.I.S. INTERNATIONAL TOURS (NY) INC. (Note 2) (Note 3)	New York City, New York, U.S.A.	thousand USD 150	Travel Business	100.0 (100.0)	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies ③ Capital Assistance The Company guarantees liabilities (up to 94 million yen) against bank guarantees.
H.I.S. GUAM, INC. (Note 2) (Note 3)	Guam, Territory of U.S.A.	thousand USD 200	Travel Business	100.0 (100.0)	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing of travel products from said company
H.I.S. SAIPAN, INC. (Note 2) (Note 3)	Saipan, Commonwealth of the Northern Mariana Islands, U.S.A.	thousand USD 200	Travel Business	100.0 (100.0)	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing of travel products from said company
H.I.S. CANADA INC. (Note 2)	Yukon Territory, Canada	thousand CAD 100	Travel Business	100.0 (100.0)	① Business Transaction Purchasing and sales of travel products between the companies ② Capital Assistance The Company guarantees liabilities (up to 10 million yen) against bank guarantees.
H.I.S. - MERIT TRAVEL INC. (Note 2) (Note 3)	Vancouver, British Columbia, Canada	thousand CAD 45,395	Travel Business	100.0 (100.0)	① Concurrent Director Two concurrent directors at said company ② Capital Assistance The Company guarantees liabilities (up to 108 million yen) against bank guarantees.
JONVIEW CANADA INC. (Note 2) (Note 3)	Toronto, Ontario, Canada	thousand CAD 48,899	Travel Business	100.0 (100.0)	① Concurrent Director Two concurrent directors at said company ② Business Transaction Purchasing and sales of travel products between the companies

Company name	Address	Share capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. CANADA HOLDINGS INC. (Note 3)	Vancouver, British Columbia, Canada	thousand CAD 247,804	Travel Business	100.0	① Concurrent Director Two concurrent directors at said company ② Capital Assistance The Company loans 326 million yen in working capital.
H.I.S. - RED LABEL VACATION INC. (Note 2) (Note 3)	Vancouver, British Columbia, Canada	thousand CAD 142,993	Travel Business	100.0 (100.0)	① Concurrent Director Two concurrent directors at said company ② Business Transaction Purchasing and sales of travel products between the companies
H.I.S. (China) Holding Co., Limited (Note 3)	Hong Kong Special Administrative Region, People's Republic of China	thousand HKD 87,257	Travel Business	100.0	① Concurrent Director Two concurrent directors at said company
H.I.S. KOREA CO., LTD. (Note 3)	Seoul, Republic of Korea	thousand KRW 425,000	Travel Business	58.8	① Business Transaction Purchasing and sales of travel products between the companies
H.I.S. Tours Co., Ltd. (Note 3)	Bangkok, Kingdom of Thailand	thousand THB 20,000	Travel Business	100.0	① Business Transaction Purchasing and sales of travel products between the companies ② Capital Assistance The Company guarantees liabilities (up to 195 million yen) against bank guarantees.
PT. HARUM INDAH SARI TOURS & TRAVEL (Note 3)	Denpasar, Republic of Indonesia	thousand USD 168	Travel Business	90.0	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies
HIS (HONG KONG) COMPANY LIMITED (Note 2) (Note 3)	Hong Kong Special Administrative Region, People's Republic of China	thousand HKD 1,500	Travel Business	100.0 (100.0)	① Concurrent Director Two concurrent directors at said company ② Business Transaction Purchasing and sales of travel products between the companies
H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD. (Note 2) (Note 3)	Republic of Singapore	thousand USD 20,000	Travel Business	100.0 (0.1)	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies
H.I.S. INTERNATIONAL TRAVEL PTE LTD (Note 2) (Note 3)	Republic of Singapore	thousand SGD 400	Travel Business	100.0 (100.0)	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies

Company name	Address	Share capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. AUSTRALIA PTY. LTD. (Note 2)	Queensland, Australia	thousand AUD 25	Travel Business	100.0 (100.0)	① Business Transaction Purchasing and sales of travel products between the companies
H.I.S. EUROPE LIMITED (Note 2) (Note 3)	London, England	thousand GBP 210	Travel Business	100.0 (100.0)	① Business Transaction Purchasing and sales of travel products between the companies
GROUP MIKI HOLDINGS LIMITED (Note 3)	London, England	thousand EUR 116	Travel Business	70.3	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies ③ Capital Assistance The Company loans 738 million yen in working capital.
HIS INTERNATIONAL TOURS FRANCE SAS (Note 2) (Note 3)	Paris, France	thousand EUR 2,030	Travel Business	100.0 (100.0)	① Business Transaction Purchasing and sales of travel products between the companies ② Capital Assistance The Company guarantees liabilities (up to 40 million yen) against bank guarantees.
H.I.S. Deutschland Touristi GmbH (Note 2)	Frankfurt Germany	thousand EUR 25	Travel Business	100.0 (100.0)	① Business Transaction Purchasing and sales of travel products between the companies ② Capital Assistance The Company guarantees liabilities (up to 58 million yen) against bank guarantees.
H.I.S. EUROPE ITALY S.R.L. (Note 2) (Note 3)	Rome, Italy	thousand EUR 83	Travel Business	100.0 (100.0)	① Business Transaction Purchasing and sales of travel products between the companies
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI (Note 3)	Istanbul, Turkey	thousand TRY 9,132	Travel Business	100.0	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies ③ Capital Assistance The Company guarantees liabilities (up to 999 million yen) against bank guarantees. Our company provides payment guarantees (up to a limit of 296 million yen) for purchase obligations. The Company loans 74 million yen in working capital.
Orion Tour Co., Ltd. (Note 3)	Chuo-ku, Tokyo	million yen 248	Travel Business	100.0	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing of travel products from said company

Company name	Address	Share capital	Main business	Ownership of voting rights (%)	Relationship
QUALITA Co., Ltd. (Note 3)	Minato-ku, Tokyo	million yen 51	Travel Business	100.0	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies ③ Capital Assistance Our company provides payment guarantees (up to a limit of 20 million yen) for purchase obligations.
Ohshu Express Ltd. (Note 3)	Minato-ku, Tokyo	million yen 100	Travel Business	100.0	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies
TOUR WAVE CO., LTD. (Note 2) (Note 3)	Aoba-ku, Sendai, Miyagi Prefecture	million yen 80	Travel Business	100.0 (100.0)	① Business Transaction Purchasing and sales of travel products between the companies ② Capital Assistance Our company provides payment guarantees (up to a limit of 10 million yen) for purchase obligations.
Japan Holiday Travel Co., Ltd. (Note 3)	Chuo-ku, Osaka, Osaka Prefecture	million yen 30	Travel Business	66.7	① Concurrent Director Two concurrent directors at said company ② Business Transaction Purchasing and sales of travel products between the companies ③ Capital Assistance The Company guarantees liabilities (up to 1,850 million yen) against bank guarantees. The Company loans 150 million yen in working capital.
Cruise Planet Co., Ltd. (Note 3)	Chiyoda-ku, Tokyo	million yen 25	Travel Business	100.0	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies
Laguna Ten Bosch Co., Ltd. (Note 3)	Gamagori, Aichi Prefecture	million yen 1,588	Theme Park Business	66.0	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies ③ Capital Assistance The Company loans 800 million yen in working capital.

Company name	Address	Share capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. Hotel Holdings Co., Ltd. (Note 5)	Minato-ku, Tokyo	million yen 10	Hotel Business	100.0	① Concurrent Director Two concurrent directors at said company ② Business Transaction Purchasing and sales of hotel products between the companies ③ Capital Assistance The Company guarantees liabilities (up to 235 million yen) against bank guarantees. In addition, it loans 70,696 million yen in working capital and capital expenditure funding.
Aquaignis Taki Hotel Asset Co., Ltd. (Note 2) (Note 3) (Note 6)	Taki, Mie Prefecture	million yen 100	Hotel Business	50.0 (50.0)	――――――
HHH.USA. INC. (Note 2) (Note 3)	New York City, New York, U.S.A.	thousand USD 10,000	Hotel Business	100.0 (100.0)	――――――
GUAM REEF HOTEL, INC. (Note 2)	Guam, Territory of U.S.A.	thousand USD 10	Hotel Business	100.0 (100.0)	① Business Transaction Purchasing of hotel products from said company.
PT. HARUM INDAH SARI INDONESIA (Note 2) (Note 3)	Badung, Bali, Republic of Indonesia	billion IDR 1,800	Hotel Business	100.0 (1.0)	――――――
Green World Hotels Co., Ltd (Note 2) (Note 3)	Taipei City, Taiwan	million TWD 1,097	Hotel Business	51.0 (51.0)	① Capital Assistance The Company guarantees liabilities (up to 1,944 million yen) against bank guarantees.
HIS DORAK TURIZM OTEL YATIRIMLARI VE DIS TICARET ANONIM SIRKETI (Note 2) (Note 3)	Istanbul, Turkey	thousand TRY 202,130	Hotel Business	84.3 (84.3)	① Concurrent Director One concurrent director at said company.
KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO, LTD. (Note 3) (Note 4)	Chuo-ku, Kumamoto City, Kumamoto Prefecture	million yen 1,065	Kyushu Sanko Group	91.6	① Concurrent Director One concurrent director at said company ② Business Transaction Purchasing and sales of travel products between the companies ③ Capital Assistance The Company loans 1,920 million yen in capital expenditure funding.
H.I.S. Energy Holdings Co., Ltd. (Note 3)	Minato-ku, Tokyo	million yen 100	Energy Business	100.0	① Concurrent Director Two concurrent directors at said company.
H.S. Insurance Co., Ltd. (Note 3)	Chuo-ku, Tokyo	million yen 1,612	Other	100.0	① Business Transaction The Company is a sales representative for travel insurance, etc.

Company name	Address	Share capital	Main business	Ownership of voting rights (%)	Relationship
SYS Inc. (Note 3)	Minato-ku, Tokyo	million yen 100	Other	91.4	① Concurrent Director Two concurrent directors at said company ② Business Transaction TheCompany outsources development of accommodation reservation systems, etc. ③ Capital Assistance The Company loans 1,396 million yen in working capital.
And 90 other companies					

(Notes) 1. The "Main business" column indicates segment names stated in "Segment information, etc."
2. Figures in parentheses in the "Ownership of voting rights" column represent percentage of voting rights held indirectly by the Company.
3. These companies fall under the category of specified subsidiaries.
Of the companies included in "And 90 other companies," the companies that fall under the category of specified subsidiaries are as follows.
Shin H.I.S. Co., Ltd., AGT Co., Ltd., O.T.B. Co., Ltd., H.I.S. Okinawa Co., Ltd., H.I.S. BRASIL TURISMO LTDA., H.I.S. GIRAS INTERNACIONALES MEXICO, S.A. DE C.V., H.I.S. INTERNATIONAL TOURS KOREA INC., H.I.S. MANAGEMENT SERVICES SDN. BHD., H.I.S. TRAVEL (MALAYSIA) SDN BHD., H.I.S. (MACAU) TRAVEL COMPANY LIMITED, H.I.S (Cambodia) Travel Co., Ltd, H.I.S. TRAVEL (INDIA) PRIVATE LIMITED, H.I.S SONGHAN VIETNAM TOURIST COMPANY LTD., H.I.S. (PHILIPPINES) TRAVEL CORP., H.I.S. (SHANGHAI) INTERNATIONAL TRAVEL SERVICE CO., LTD, H.I.S. GLOBAL BUSINESS, INC., H.I.S. (FIJI) Pte Limited, H.I.S. NEW ZEALAND LIMITED, VIAJES H.I.S. MADRID, S.A., H.I.S. Travel Switzerland AG, H.I.S. International Tours .Ru, H.I.S POLAND Sp.z o.o., H.I.S TRAVEL EGYPT, H.I.S KENYA LIMITED, HIDE INTERNATIONAL SERVICE MAROC, H.I.S. MANAGEMENT CONSULTING DMCC, Vison Hotel Management Co., Ltd., HHH.KOREA. INC., HHH CENTRALASIA FE LLC, Huis Ten Bosch Technical Center Co., Ltd., Nishinihon Engineering Co., Ltd., hapi-robo st Co., Ltd.
4. The Company files an Annual Securities Report.
5. Liabilities of HTB ENERGY CO., LTD. exceed its assets. The amount of excess liabilities as of September 30, 2022 was 3,598 million yen.
6. The Company holds a stake of 50% or less in Aquaignis Taki Hotel Asset Co., Ltd. However, Aquaignis Taki Hotel Asset Co., Ltd. is effectively under the Company's control and regarded as a subsidiary.

(2) Entities accounted for using equity method

Company name	Address	Share capital	Main business	Ownership of voting rights (%)	Relationship
H.I.S. TAIWAN COMPANY LIMITED	Taipei City, Taiwan	million TWD 42	Travel Business	50.0	① Concurrent Director Two concurrent directors at said company ② Business Transaction Purchasing and sales of travel products between the companies
And 2 other companies					

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

5. Employees

(1) Consolidated Companies

As of October 31, 2022

Segment	Number of employees	
Travel Business	6,751	[720]
Theme Park Business	101	[146]
Hotel Business	582	[196]
Kyushu Sanko Group	1,441	[270]
Energy Business	2	[—]
Reportable segments total	8,877	[1,332]
Other	193	[113]
Corporate-wide (shared)	319	[15]
Total	9,389	[1,460]

(Notes) 1. The number of employees represents full-time employees only. An additional figure for the average number of temporary staff employed during the fiscal year is provided in square brackets.
2. The employees in "Corporate-wide (shared)" are those belonging to administrative departments and thus do not fall under any business segment.
3. The number of employees decreased by 1,229 from the end of the previous consolidated fiscal year. The main reason was that HTB Energy Co., Ltd., and H.I.S. SUPER Power Co., Ltd. were excluded from the scope of consolidation.

(2) The Filing Company

As of October 31, 2022

Number of employees		Average age	Average length of service	Average annual salary
3,822	[567]	36.9	12.4	4,100,071

Segment	Number of employees	
Travel Business	3,458	[475]
Reportable segments total	3,458	[475]
Other	45	[77]
Corporate-wide (shared)	319	[15]
Total	3,822	[567]

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

(3) Labor Unions

There are no applicable matters to report.

II. Business Overview

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

(1) Management Policy

Guided by its corporate philosophy ("In accordance with the laws of the universe, we contribute to the creative development of humanity and world peace"), the H.I.S. Group aims to build new business models that allow it to contribute to world peace not only through travel but through a wide range of other businesses, as a company that consistently pursues change and advancement.

(2) Medium- to Long-Term Corporate Management Strategy and Key Performance Indicators

The H.I.S. Group actively undertakes challenges not only in its existing business fields, but also by continually pursuing fresh opportunities in new business domains. It aims to strengthen its earnings structure and further enhance its corporate value by pivoting away from a management organization centered on the existing Travel Business and by reinforcing and transforming its business portfolio. The Group believes sustainable business growth is essential to achieve these goals, and it focuses on growth in sales and operating profit in all its businesses. In the foreseeable future, it targets a shareholders' equity ratio of 20% or more as an indicator of financial stability, and ROE of 10% or more as an indicator of profitability. The Group is considering formulating a three-year medium-term management plan (starting from the consolidated fiscal year ending October 31, 2024) that will provide more details, including about key performance indicators. However, the formulation of such a plan will be contingent on the Group's ability to ascertain changes in the business environment to a certain extent.

(3) Issues to be Addressed

As for the operating environment going forward, the H.I.S. Group expects the economy to pick up thanks to the gradual easing of border measures in response to the COVID-19 pandemic and the effects of various policies. However, the global tightening of monetary policy is putting downward pressure on the recovery of overseas economies, and it will continue to be difficult to project a recovery in economic activity to pre-pandemic levels.

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

① Implement measures in response to the COVID-19 pandemic

The H.I.S. Group has suffered heavily from the COVID-19 pandemic, and its financial foundation has been eroded by the recent deterioration in earnings. Consequently, it regards the implementation of measures to mitigate the impact of the pandemic as an important issue, and will make this a top priority.

○ Increase financial soundness

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

○ Management that takes into account life with and after the COVID-19 pandemic

The H.I.S. Group will undertake management predicated on a new cost structure in response to the COVID-19 pandemic. It aims to achieve a rapid recovery in earnings by operating businesses that leverage its uniqueness and competitive edge. In addition, it will decisively pursue opportunities in the post-COVID world, including those stemming from potential industry realignment, and further accelerate its growth.

② Adapt to various changes

The H.I.S. Group realizes that improving productivity and profitability in various business spheres will be the challenge in the foreseeable future. It will promote digital transformation to achieve solutions, aim to implement reforms that support efficient business structures, and work to rebuild its business portfolio. At the same time, the Company will work to deepen its understanding of all its stakeholders and promote sustainable initiatives under the H.I.S. corporate philosophy.

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

In its core travel business, with its sights set on regional resources such as regional culture, historical heritage sites, and the natural environment, the Company concentrates on initiatives that help realize sustainable tourism, ensuring that the traditional ways of living in each region are honored and that all stakeholders assume responsibility for their individual awareness and conduct.

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

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

2. Business and Other Risks

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

Further, all matters relating to the future in the sections below are based on the views of the H.I.S. Group as of the end of the current consolidated fiscal year.

① Significant events relating to going concern assumption, etc.

The H.I.S. Group has continued to incur high operating losses and losses attributable to owners of parent since the previous consolidated fiscal year. Consequently, as of October 31, 2021, there are deemed to be events or circumstances that may give rise to significant doubts regarding the Group' s ability to continue as a going concern pursuant to Audit and Assurance Practice Committee Statement No. 74 "Disclosure of the Going Concern Assumption."

To address this, the H.I.S. Group is reducing fixed costs and selling asset holdings such as securities and properties. In addition, it has requested its counterparty financial institutions to maintain its existing loan agreements (refinancing).

Based on a cash management plan that reflects reasonable assumptions on when the COVID-19 pandemic will settle down and related countermeasures, the H.I.S. Group has determined that it can retain sufficient capital through October 31, 2023. and therefore deems that there should be no significant uncertainty about its ability to continue as a going concern.

② Risks related to impact of the COVID-19 pandemic

Regarding the impact of the COVID-19 pandemic, impact may occur due to new restrictions on behavior and various regulations because of the risk of the spread of infection due to mutant strains.

The H.I.S. Group analyzes the impact of the COVID-19 pandemic on its reportable segments as follows.

Segment	Main categories	Current condition and outlook
Travel Business	Overseas travel Inbound travel to Japan Overseas inbound travel Overseas outbound travel	Although border control measures are gradually being eased, and the conditions for entering and leaving Japan have improved, the recovery in demand for international travel is slower than expected, partly because recovery of the number of seats supplied on international flights to and from Japan has been slow. In the overseas travel market, restrictions have been lifted early, mainly in Europe and the United States, and recovery of travel demand can be seen.
	Domestic travel	Demand is recovering thanks to progress in vaccination and the removal of movement restrictions. Recovery of demand is expected thanks to the utilization of various tourism support measures, including support for nationwide travel.
Theme Park Business	Laguna Ten Bosch	With the removal of movement restrictions, the number of visitors is increasing and recovery of demand can be seen. Recovery of visitor numbers is expected thanks to the utilization of various tourism support measures, including support for nationwide travel.
Hotel Business	Domestic hotels	With the removal of movement restrictions, the number of guests is increasing and recovery of demand can be seen. Recovery of demand for accommodation within Japan is expected thanks to the utilization of various tourism support measures, including support for nationwide travel.
	Overseas hotels	Beach resorts (Guam and Bali) have been severely affected by the slump in demand from outbound tourists from Japan. Recovery trends can be seen in countries and cities where economic activities have resumed, including New York, Seoul, and Uzbekistan.
Kyushu Sanko Group	Bus services	Recovery is expected along with economic activity thanks to the resumption of the flow of people, including support for nationwide travel.

③ Risks related to travel demand and industry trends

The Travel Business accounts for 47.4% of Group net sales, and 35.1% of net sales are concentrated in Japan. Consequently, changes in the environment surrounding the Travel Business in Japan could affect the Group' s financial position and operating results. Further, although the Group works to ensure sustainable competitiveness, its businesses face intense competition from other companies, prompted by such factors as business model changes of partner companies and market entries by companies from other industries. Future developments in the competitive landscape could therefore affect the Group' s financial position and operating results.

④ Impact of natural and man-made disasters

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

⑤ Risks related to information leaks and system management

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

⑥ Risks related to provision of products and services

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

⑦ Exchange rate and crude oil price fluctuations

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

⑧ Fluctuations in the valuation of owned assets including securities

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

⑨ Impairment of non-current assets

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

⑩ Compliance

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

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

The following is an overview, management perspective, analysis, and examination of the Company's financial position, business results, and cash flows in the current consolidated fiscal year.

From the current consolidated fiscal year, the accounting of revenue differs from the previous consolidated fiscal year due to the application of the "Accounting Standard for Revenue Recognition." In order to facilitate easier comparisons with the previous fiscal year, the trial calculations that would have been made without applying the relevant standards, etc. are indicated as "old standards," and comparisons with the previous fiscal year are made using these trial calculations.

(1) Business Results

While the economy is expected to pick up thanks to the effects of various government policies as society progresses to a new stage of life with the COVID-19 pandemic, economic conditions in the business environment in the current consolidated fiscal year remained severe, including the risk of downward pressure on the economy due to the downturn in overseas economies. Under these circumstances, signs of recovery in the travel industry are becoming more pronounced thanks to the gradual easing of border control measures in response to the COVID-19 pandemic, the abolishment of movement and immigration restrictions, and the implementation of tourism support measures.

The Group continued to reduce costs in each country, including by seconding employees to companies outside of the Group, restructured its management organization, and promoted work style reforms aimed at maximizing sales to cope with the COVID-19 pandemic.

Guided by its corporate philosophy ("In accordance with the laws of the universe, we contribute to the creative development of humanity and world peace"), the H.I.S. Group has aimed to pioneer new businesses aimed at reconstruction of its business portfolio not only through travel but through a wide range of other businesses, as a company that consistently pursues change and advancement.

In the current consolidated fiscal year, business performance was as follows. (Millions of yen)

	Year ended October 31, 2021	Year ended October 31, 2022 (old standard)	Year ended October 31, 2022 (new standard)
Net sales	118,563	260,350	142,794
Gross profit	7,522	27,599	28,257
Operating profit (loss)	(64,058)	(48,592)	(47,934)
Profit (loss) before income taxes	(51,008)	(8,880)	(8,222)
Profit (loss) attributable to owners of parent	(50,050)	(10,200)	(9,547)

Net sales increased 24,231 million yen or 120.4% year on year to 142,794 million yen (under the old standard, an increase of 219.6% year on year to 260,350 million yen). This was mainly due to a significant increase in revenue from the travel business in other countries and the overseas travel business originating from Japan compared to the same period of the previous year, which was severely affected by the COVID-19 pandemic.

Selling, general and administrative expenses increased 4,610 million yen or 106.4% year on year to 76,192 million yen, thanks to implementing cost-cutting measures in line with expenses to recover business performance from the COVID-19 pandemic, personnel expenses due to returning from temporary assignments, and the introduction of advertisements aimed at revitalizing the market.

On the profit side, the Company reported an operating loss of 47,934 million yen (48,592 million yen under the old standard; versus an operating loss of 64,058 million yen in the previous fiscal year) due to failure to reach the pre-pandemic level of gross profit despite a significant improvement in gross profit thanks to the travel-related business picking up with the resumption of the flow of people after the COVID-19 pandemic. While extraordinary income of 54,543 million yen was posted as a result of gain on sale of shares of subsidiaries and associates, etc., an extraordinary loss of 13,764 million yen was recorded due to loss on sale of shares of subsidiaries and associates and impairment loss of non-current assets, resulting in a current net loss before income taxes of 8,222 million yen (8,880 million yen under the old standard; versus loss before income taxes of 51,008 million yen in the previous fiscal year). Income taxes, etc. increased by 599 million yen compared to the previous fiscal year, and the Company reported a loss attributable to owners of parent of 9,547 million yen (10,200 million yen under the old standard; versus a loss attributable to owners of parent of 50,050 million yen in the previous fiscal year), reflecting 1,508 million yen in current net loss attributable to non-controlling interests.

The earnings by segment in the current consolidated fiscal year are shown below. Figures in each segment reflect the amounts before offsetting and eliminating intersegment transactions.

[Travel Business] (Millions of yen)

	Year ended October 31, 2021	Year ended October 31, 2022 (old standard)	Year ended October 31, 2022 (new standard)
Net sales	43,028	180,574	67,693
Operating profit (loss)	(38,336)	(29,261)	(28,629)

In the current consolidated fiscal year, the impact of the COVID-19 pandemic meant that the travel market experienced a slowdown in leisure demand due to immigration restrictions and travel restrictions, yet there were signs in Europe and the United States of early recovery of demand in the travel market in other countries. In the domestic travel market in Japan, since March 21, when the declaration of quasi-emergency measures was lifted, and with the continuation of prefectural and regional block discount measures from April, a certain level of leisure demand was sustained. In the domestic market for overseas travel and the market for inbound travel to Japan, there were signs of a resumption of the international flow of people due to the gradual relaxation and removal of border controls measures, including the reduction of infectious disease risk levels in 106 countries from April. The number of outbound Japanese travelers during the year increased by 433.7% year on year to 2.06 million (10.3% compared to 2019), while the number of foreign visitors to Japan increased by 475.0% year on year to 1.55 million (4.9% compared to 2019). Although this shows a trend for recovery, there has yet to be a full recovery compared with the peak levels recorded in 2019. (source: Japan National Tourism Organization [JNTO]).

In its overseas travel business, the Company alleviated concerns about the risk of infection and developed safe and secure overseas travel plans. In line with the gradual easing of border control measures and movement restrictions, the Company worked to gather local information and strengthen procurement through HIS's overseas subsidiaries. In May, self-operated tours were resumed for the first time in two years, and this program expanded to 47 countries and regions as of the end of October. To revitalize the overseas travel market, the Company cooperated with the JNTO, including major tourist destinations, to developed special tours that meet the needs of each target under the title of "Revenge Travel" and strengthening promotional activities led to a gradual increase in the number of leisure customers. However, due to soaring fuel surcharges, a historically weak yen, and a slowdown in the number of seats supplied on international flights departing from and arriving in Japan, a full recovery has yet to be achieved.

In the domestic travel business, the Company worked to maximize profits by increasing the number of customers for package flight tours to Okinawa, Hokkaido, and Kyushu. In Okinawa in particular, the Company worked to improve convenience by implementing an Okinawa Main Island Rental Car Inventory Plan using HIS' own procurement and securing means of transportation together with the LeaLea OKINAWA Shuttle Bus. The Company also aimed to stand out from other companies by implementing collaborative projects with popular anime. Despite a significant recovery from the previous fiscal year, the Company was unable to reach a level exceeding the pre-pandemic peak of 2019, partly because it was working to acquire new customers by strengthening purchases of company-sponsored tours using railways and community-based hotel products, etc.

In the inbound travel business, the Company strengthened the listing and distribution of individual travel products on the websites of overseas online travel agents, promoted cooperation with local governments and administrative agencies, and developed a Tabinaka promotion project through tourist information centers.

In the corporate business, the Company utilized its MICE management expertise to promote project collaboration as a non-travel business through public support projects by administrative agencies (regional premium gift certificates, free PCR test subsidy projects, and Individual Number Card/Individual Number Card Point-related projects, etc.) and commissioned projects from companies. The Company also worked to strengthen its accelerator business by collaborating with overseas subsidiaries, which have increased their alliances in non-travel business in response to the COVID-19 pandemic, and by supporting the overseas expansion of restaurants and other businesses.

In the travel business in other countries, a recovery was seen in travel demand in local markets at overseas group companies based in Europe and the United States as well as Turkish and Mexican companies. In the inbound business of overseas branches, the situation continued to be severe due to the continued restrictions on travel from Japan to other countries, so the Company aimed to improve profitability through cost-cutting and business optimization and streamlining, as well as expanding business outside of the travel field. The Company has focused on strengthening businesses aimed at local markets, including the launch in Thailand of the "Mantendo" shop brand that handles children's clothing from suppliers such as Nishimatsuya, with eight stores opened; the real estate business in Hawaii; a black soldier fly business in Indonesia aimed at realizing cyclical breeding; and satellite Japanese food shops planned for opening in Germany, the United Kingdom, Spain, Italy and France.

As a result of reorganization in Japan and overseas, the number of Group sales offices increased to 131 in Japan and 158 overseas (in 112 cities across 60 countries). (As of October 31, 2022)

As a result, sales increased to 67,693 million yen, 157.3% year on year (180,574 million yen under the old standard; 419.7% year on year), with an operating loss of 28,629 million yen (29,261 million yen under the old standard; versus an operating loss of 38,336 million yen in previous fiscal year).

[Theme Park Business] (Millions of yen)

	Year ended October 31, 2021	Year ended October 31, 2022 (old standard)	Year ended October 31, 2022 (new standard)
Net sales	15,126	22,046	21,225
Operating profit (loss)	(3,559)	170	183

At Huis Ten Bosch, efforts were made to improve customer satisfaction by holding an anniversary event commemorating the 30th anniversary of its opening, holding a campaign to express gratitude to Kyushu and Nagasaki, and various seasonal events. As a result, the Company recorded an operating profit in the first half of the year for the first time in two years. While the Theme Park Business was also affected by quasi-emergency measures in response to the COVID-19 pandemic, major holidays and the summer vacation season without restrictions on movement meant that the total number of visitors increased by 162.9% year on year, resulting in an operating profit.

As of September 30, 2022, the transfer of all Huis Ten Bosch shares has been completed. The Company has made various improvements and reforms since 2010 with the mission of rebuilding Huis Ten Bosch. Having played a role in management reorganization, revitalization of the local economy, and creation of employment, it was decided that the Company would pursue business by strengthening cooperation with partners outside the Group who have knowledge of the Theme Park Business and can provide funds on a flexible basis to build new growth for Huis Ten Bosch.

Laguna Ten Bosch celebrated the 20th anniversary of its opening and held anniversary events throughout the year, such as the "Lagoon of Light" illuminations. Initiatives were taken to attract more customers by holding hands-on events based on the popular Pretty Cure and Tokyo Revengers TV anime, but recovery to pre-pandemic (2019) levels was not achieved.

As a result, sales were 21,225 million yen, an increase of 140.3% year on year (22,046 million yen and 145.7% year on year under the old standard), and operating profit was 183 million yen (170 million yen under the old standard; versus an operating loss of 3,559 million yen in the previous fiscal year).

[Hotel Business] (Millions of yen)

	Year ended October 31, 2021	Year ended October 31, 2022 (old standard)	Year ended October 31, 2022 (new standard)
Net sales	4,757	9,207	9,207
Operating profit (loss)	(5,868)	(4,122)	(4,122)
EBITDA	(2,557)	(192)	(192)

In the current consolidated fiscal year, a diverse lineup of new developments that match the characteristics of each region was opened, including the first Henn na Hotel outside Japan, in Seoul (Myeong-dong), followed by a business opened in New York. In Tashkent, the capital of Uzbekistan, the 4-star Hotel Inspira. -S Tashkent was opened, and the occupancy rate remained strong, partly thanks to the recovery of economic activity in various countries. In Japan, the Company focused on new developments, including the opening of Watermark Hotel & Resorts Okinawa Miyakojima on Miyakojima, Okinawa Prefecture. At existing hotels, in addition to controlling sales, general and administrative expenses, the Company worked to increase earnings by developing accommodation plans with differentiating factors in accordance with market conditions and the pandemic situation in each country and city. However, due to the slowdown in leisure demand resulting from the COVID-19 pandemic, the number of guests did not improve significantly.

As a result, net sales increased 193.5% year on year to 9,207 million yen (under the old standard, 193.5% year on year to 9,207 million yen), but the business posted an operating loss of 4,122 million yen (under the old standard, 4,122 million yen; versus an operating loss of 5,868 million yen in the previous fiscal year). EBITDA was also negative.

[Kyushu Sanko Group] (Millions of yen)

	Year ended October 31, 2021	Year ended October 31, 2022 (old standard)	Year ended October 31, 2022 (new standard)
Net sales	16,362	19,021	17,960
Operating profit (loss)	(2,712)	(1,554)	(1,554)

In the current consolidated fiscal year, the Kyushu Sanko Group showed signs of partial recovery thanks to the implementation of prefectural and block discounts and eased restrictions on going out, including an increase in the number of visitors to the SAKURA MACHI Kumamoto commercial complex and, in the Group's main bus business, an increase in the number of people transported by route buses and the resumption of expressway bus services, which had been suspended or reduced due to the COVID-19 pandemic. However, in addition to quasi-emergency measures in response to the COVID-19 pandemic, there were measures to curb behavior through risk level management unique to Kumamoto Prefecture, and the Group was unable to achieve a full recovery in performance throughout the year.

As a result, net sales increase of 109.8% year on year to 17,960 million yen (19,021 million yen and 116.3% year on year under the old standard), and the business posted an operating loss of 1,554 million yen (1,554 million yen under the old standard; versus an operating loss of 2,712 million yen in the previous fiscal year).

[Energy Business] (Millions of yen)

	Year ended October 31, 2021	Year ended October 31, 2022 (old standard)	Year ended October 31, 2022 (new standard)
Net sales	37,351	27,152	24,376
Operating profit (loss)	(10,264)	(9,985)	(9,978)

In the current consolidated fiscal year, efforts were made to improve performance in the retail electricity sales business of the Energy Business, such as optimizing procurement of power sources through a combination of the wholesale electricity market and bilateral transactions. However, due to the normalization of soaring prices, the business posted an operating loss.

In addition, in the electricity generation business, the price of RSPO-certified palm oil, which is used as fuel, has soared, and as a result, it has been difficult to secure the necessary amount, which meant that full-scale operations were again postponed.

As a result, net sales declined 34.7% year on year to 24,376 million yen (under the old standard, 27,152 million yen or 72.7% versus the previous fiscal year), and the business posted an operating loss of 9,978 million yen (under the old standard, 9,985 million yen; versus operating loss of 10,264 million yen in the previous fiscal year).

In both the retail electricity sales business and the electricity generation business, it was determined that additional time would be required to recover from continued chronic deficits, so a full share transfer was completed on May 20, 2022, for HTB Energy Co., Ltd., which operates in the retail electricity sales business, and on October 31, 2022 for H.I.S. SUPER Power Co., Ltd., which operates in the electricity generation business.

(2) Cash Flows

The amount of cash and cash equivalents (hereinafter, the "funds") at the end of the current consolidated fiscal year was 136,939 million yen, an increase of 48,860 million yen compared to the end of the previous consolidated fiscal year. Funds from operating activities saw a decrease of 14,915 million yen, funds from investment activities increased by 53,520 million yen, and funds from financing activities increased by 5,458 million yen.

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

[Cash flows from operating activities]

Funds from operating activities saw a decrease of 14,915 million yen in the current consolidated fiscal year. This mainly reflected a decrease in funds from the booking of a profit (loss) before income taxes (8,222 million yen), an increase in other assets including accounts receivable - other (8,345 million yen), a decrease in trade payables (3,838 million yen), and an increase in funds from a decrease in travel advance payments (3,475 million yen).

In the previous consolidated fiscal year, funds saw a decrease of 28,397 million yen. This mainly reflected the booking of a profit (loss) before income taxes (51,008 million yen), an increase in funds from depreciation (12,593 million yen) as a non-cash item, and a decrease in other assets including accounts receivable - other (8,483 million yen).

As a result, in the current consolidated fiscal year, net cash provided by (used in) operating activities increased 13,482 million yen compared to the previous consolidated fiscal year.

[Cash flows from investing activities]

Funds from investing activities saw an increase of 53,520 million yen in the current consolidated fiscal year. This mainly reflected an increase in funds from proceeds from the sale of shares of a subsidiary resulting in a change in the scope of consolidation (39,847 million yen) and proceeds from withdrawal of time deposits (19,442 million yen), contrasting with a decrease in funds due to payments into time deposits (12,001 million yen).

In the previous consolidated fiscal year, funds saw a decrease of 7,095 million yen. This was mainly due to purchase of property, plant and equipment and intangible fixed assets (16,567 million yen), payments into time deposits (15,606 million yen), proceeds from withdrawals of time deposits (17,810 million yen), and proceeds from sales of property, plant and equipment and intangible assets (8,515 million yen).

As a result, in the current consolidated fiscal year, net cash provided by (used in) investing activities increased 60,616 million yen compared to the previous consolidated fiscal year.

[Cash flows from financing activities]

Funds from financing activities saw an increase of 5,458 million yen in the current consolidated fiscal year. This mainly reflected an increase in funds from proceeds from long- and short-term borrowings (115,517 million yen) and proceeds from issuance of shares (7,500 million yen), contrasting with a decrease in funds due to repayment of long- and short-term borrowings (115,492 million yen).

In the previous consolidated fiscal year, funds saw an increase by 40,711 million yen. This mainly reflected proceeds from long- and short-term borrowings (112,283 million yen), proceeds from issuance of shares (11,994 million yen), and a decrease in funds from repayments of long- and short-term borrowings (73,163 million yen) and redemption of bonds (10 billion yen).

As a result, in the current consolidated fiscal year, net cash provided by (used in) financing activities decreased 35,253 million yen compared to the previous consolidated fiscal year.

(3) Production, Orders Received, and Sales

① Purchasing

Purchasing by segment during the current consolidated fiscal year is as follows.

Segment	Current consolidated fiscal year (November 1, 2021 to October 31, 2022]	Versus previous fiscal year (%)
Travel Business (millions of yen)	44,154	—
Theme Park Business (millions of yen)	13,385	—
Hotel Business (millions of yen)	4,223	—
Kyushu Sanko Group (millions of yen)	17,959	—
Energy Business (millions of yen)	31,705	—
Reportable segment total (millions of yen)	111,428	—
Other (millions of yen)	3,108	—
Total (millions of yen)	114,536	—

(Notes) 1. Intersegment transactions have been eliminated.

2. The businesses of the H.I.S. Group (H.I.S. Co., Ltd. and consolidated subsidiaries, hereinafter the same) are not operated based on production; as such, information on purchasing is stated in the place of production overview.

3. From the current consolidated fiscal year, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan) has been applied, and in accordance with the transitional measures stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, a new accounting policy has been applied from the beginning of the current consolidated fiscal year. As a result, the revenue recognition standards for the current consolidated fiscal year differ from those of the previous consolidated fiscal year, which are used for comparison, so the percentage increase/decrease in purchasing has been omitted.

② Orders received

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

③ Sales

Sales by segment during the current consolidated fiscal year are as follows.

Segment	Current consolidated fiscal year (November 1, 2021 to October 31, 2022]	Versus previous fiscal year (%)
Travel Business (millions of yen)	67,328	—
Theme Park Business (millions of yen)	20,644	—
Hotel Business (millions of yen)	8,931	—
Kyushu Sanko Group (millions of yen)	17,948	—
Energy Business (millions of yen)	24,288	—
Reportable segment total (millions of yen)	139,142	—
Other (millions of yen)	3,652	—
Total (millions of yen)	142,794	—

(Notes) 1. Intersegment transactions have been eliminated.

2. The H.I.S. Group calculates total transaction value (selling price) as net sales.

3. From the current consolidated fiscal year, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan) has been applied, and in accordance with the transitional measures stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, a new accounting policy has been applied from the beginning of the current consolidated fiscal year. As a result, the revenue recognition standards for the current consolidated fiscal year differ from those of the previous consolidated fiscal year, which are used for comparison, so the percentage increase/decrease in sales has been omitted.

(4) Analyses of Financial Position, Business Results, and Cash Flows

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

① Analysis of financial position

(i) Current assets

The balance of current assets at the end of the current consolidated fiscal year was 188,493 million yen, an increase of 44,997 million yen from the end of the previous consolidated fiscal year.

This was mainly due to increases in cash and deposits (up 43,383 million yen from the end of the previous fiscal year) and accounts receivable - other (up 12,464 million yen), and a decline in notes and accounts receivable - trade, and contract assets (down 5,179 million yen).

(ii) Non-current assets

The balance of non-current assets at the end of the current consolidated fiscal year was 226,274 million yen, a decrease of 41,387 million yen from the end of the previous consolidated fiscal year.

This mainly reflected a decrease in property, plant and equipment (down 30,935 million yen from the end of the previous fiscal year), and declines in deferred tax assets (down 4,185 million yen), investment securities (down 2,725 million yen), and goodwill (down 2,252 million yen).

(iii) Current liabilities

The balance of current liabilities at the end of the current consolidated fiscal year was 128,569 million yen, an increase of 41,315 million yen from the end of the previous consolidated fiscal year.

This was mainly due to increases in current portion of long-term borrowings payable (up 27,599 million yen from the end of the previous fiscal year) accounts payable-other(up 12,967 million yen) and “Other” current liabilities
(up 6,291 million yen), and a decline in trade accounts payable (down 6,280 million yen).

(iv) Non-current liabilities

The balance of non-current liabilities at the end of the current consolidated fiscal year was 229,778 million yen, a decline of 30,268 million yen from the end of the previous consolidated fiscal year.

This was mainly due to a decline in long-term borrowings (down 27,916 million yen from the end of the previous fiscal year) and retirement benefit liability (down 1,424 million yen).

(v) Net assets

The balance of net assets at the end of the current consolidated fiscal year was 56,636 million yen, a decrease of 7,509 million yen from the end of the previous consolidated fiscal year.

This mainly reflected an increase in foreign currency translation adjustment (up 8,945 million yen from the end of the previous fiscal year) and share capital and capital surplus from third-party allotment increase (up 7,500 million yen), and decreases in non-controlling interests (down 14,544 million yen)
and a decrease in retained earnings resulting from the booking of a current net loss attributable to owners of parent (down 9,547 million yen).

② Analysis of operating results

(i) Net sales

Net sales in the current consolidated fiscal year increased 24,231 million yen or 120.4% year on year to 142,794 million yen (under the old standard, an increase of 219.6% year on year to 260,350 million yen). By reportable segment, Travel Business net sales were 67,693 million yen (up 57.3%) (under the old standard, 180,574 million yen or 419.7% year on year), Theme Park Business net sales were 21,225 million yen (up 40.3%) (under the old standard, 22,046 million yen or 145.7% year on year), Hotel Business net sales were 9,207 million yen (up 93.5%) (under the old standard, 9,207 million yen or 193.5% year on year), Kyushu Sanko Group net sales were 17,960 million yen (up 9.8%) (under the old standard, 19,021 million yen or 116.3% year on year), and Energy Business net sales were 24,376 million yen (up 65.3%) (under the old standard, 27,152 million yen or 72.7% year on year).

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

(ii) Operating expenses

Operating expenses in the current consolidated fiscal year were 190,729 million yen, an increase of 8,106 million yen (up 4.4%) from the previous fiscal year (under the old standard, 308,943 million yen or 169.2% year on year).

Within operating expenses, cost of sales was 114,536 million yen, an increase of 3,496 million yen (up 3.1%) from the previous fiscal year (under the old standard, 232,750 million yen or 209.6% year on year).

Selling, general and administrative expenses were 76,192 million yen, an increase of 4,610 million yen (up 6.4%) from the previous consolidated fiscal year (under the old standard, 76,192 million yen or 106.4% year on year).

(iii) Operating loss

The Company reported an operating loss of 47,934 million yen in the current consolidated fiscal year (versus an operating loss of 64,058 million yen in the previous fiscal year). The loss contracted by 16,124 million yen from the previous consolidated fiscal year.

(iv) Ordinary loss

The Company reported an ordinary loss of 49,001 million yen in the current consolidated fiscal year (versus an ordinary loss of 63,299 million yen in the previous fiscal year). The loss contracted by 14,297 million yen from the previous consolidated fiscal year.

Main non-operating income included foreign exchange gains (892 million yen) and subsidy income (556 million yen), and non-operating expenses included interest expenses (2,000 million yen).

(v) Loss attributable to owners of parent

The Company reported a loss before income taxes of 8,222 million yen in the current consolidated fiscal year (versus a loss before income taxes of 51,008 million yen in the previous fiscal year). The loss contracted by 42,785 million yen from the previous consolidated fiscal year.

Total income taxes in the current consolidated fiscal year were 2,833 million yen (versus 2,234 million yen in the previous fiscal year), an increase of 599 million yen from the previous consolidated fiscal year.

As a result, the Company reported a loss attributable to owners of parent of 9,547 million yen in the current consolidated fiscal year (versus a loss attributable to owners of parent of 50,050 million yen in the previous fiscal year). The loss contracted by 40,502 million yen from the previous consolidated fiscal year.

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

For an analysis of cash flows, see the "(2) Cash Flows" section in "3. Analyses of Financial Position, Business Results, and Cash Flows; II. Business Overview; Part I Information on the Company."

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

④ Significant accounting estimates and underlying assumptions

The consolidated financial statements of the Group are prepared in conformity with accounting standards that are generally accepted in Japan. In preparing the consolidated financial statements, estimates have been made in the calculation of impact on the reported amounts of assets, liabilities, earnings and expenses. These estimates are rationally determined in consideration of past results; however, because of uncertainties inherent in estimates, they may differ from the actual results. For more information, see the "Significant matters that serve as the basis for preparation of the consolidated financial statements" section of "Notes" under "(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc., V. Financial Information."

For more information on the assumptions underlying significant accounting estimates in relation to the COVID-19 pandemic, see the "Significant accounting estimates" section of "Notes" under "(1) Consolidated Financial Statements, 1. Consolidated Financial Statements, etc., V. Financial Information."

4. Material Business Agreements, etc.

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

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

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

5. Research and Development Activities

There are no applicable matters to report.

III. Equipment and Facilities

1. Capital Expenditures

In the Travel Business, the H.I.S. Group works to expand its sales network while saving labor and streamlining operations, and makes investments to improve profitability. In addition, the Group focuses on investments in the Theme Park Business, the Hotel Business, and the Kyushu Sanko Group, which are expected to grow over the long term.

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

Segment	Capital expenditures (millions of yen)
Travel Business	2,832
Theme Park Business	1,539
Hotel Business	4,606
Kyushu Sanko Group	490
Energy Business	16
Reportable segments total	9,483
Other	522
Corporate-wide (shared)	1
Total	10,007

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

Travel Business: ....Relocation and renovation of branches and offices (1,748 million yen), and development and improvement of travel reservation systems (1,083 million yen), etc.
Theme Park Business: ......Investment related to theme park facilities at Huis Ten Bosch (1,323 million yen), etc.
Hotel Business: ....Construction of hotels opened within Japan (3,435 million yen), etc.
Kyushu Sanko Group: ....Acquisition of vehicles (288 million yen), etc.
Energy Business: ....Investment related to power generation facilities (11 million yen), etc.
Other: ....Investment related to new businesses such as glamping business and restaurant business (211 million yen), etc.
Corporate-wide (shared):...Investment related to rental offices, etc.

2. Principal Facilities

The Group's principal facilities are as follows.

(1) The Filing Company

Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings (millions of yen)	Tools, furniture and fixtures (millions of yen)	Land (millions of yen) (thousand ㎡)	Leased assets (millions of yen)	Construction in progress (millions of yen)	Guarantee deposits (millions of yen)	Other (millions of yen)	Total (millions of yen)	
Headquarters and offices (Minato-ku, Tokyo, etc.)	Travel Business	Branch facilities; reservation system	995	174	― (―)	2	―	1,645	1,547	4,366	3,458 (475)
Headquarters (Minato-ku, Tokyo)	Other	Branch facilities; real estate	566	54	469 (2)	―	54	9	36	1,192	45 (77)
Headquarters (Minato-ku, Tokyo)	Corporate-wide (shared)	Office facilities; software	8,376	51	24,445 (1)	3	―	74	35	32,987	319 (15)

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

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

3. Of leased facilities, leasing fees incurred during the current consolidated fiscal year was 2,314 million yen.

(2) Domestic subsidiaries

Company name Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings (millions of yen)	Tools, furniture and fixtures (millions of yen)	Land (millions of yen) (thousand ㎡)	Leased assets (millions of yen)	Construction in progress (millions of yen)	Guarantee deposits (millions of yen)	Other (millions of yen)	Total (millions of yen)	
H.I.S. Hotel Holdings Co., Ltd. (Minato-ku, Tokyo, etc.)	Hotel Business	Hotel facilities	24,535	405	20,353 (72)	―	2,470	863	92	48,721	192 (38)
Aquaignis Taki Hotel Asset Co., Ltd. (Takicho, Taki, Mie Prefecture)	Hotel Business	Hotel facilities	6,116	109	― (―)	509	―	―	8	6,743	― (―)
Kyushu Sanko Bus Co., Ltd. (Nishi-ku, Kumamoto, Kumamoto Prefecture)	Kyushu Sanko Group	Business facilities, etc.	710	59	7,279 (121)	1,389	48	7	44	9,539	490 (54)
Kyushu Sanko Landmark Co., Ltd. (Chuo-ku, Kumamoto, Kumamoto Prefecture)	Kyushu Sanko Group	Business facilities, etc.	20,373	268	13,257 (17)	―	―	―	1	33,900	14 (5)

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

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

3. Of leased facilities, leasing fees incurred by domestic subsidiaries during the current consolidated fiscal year was 2,226 million yen.

4. Facility names of domestic subsidiaries are consistent with company names.

(3) Overseas subsidiaries

Company name Facility name (Location)	Segment	Facility type	Book value (millions of yen)								Number of employees (persons) Number of temporary employees (persons)
			Buildings (millions of yen)	Tools, furniture and fixtures (millions of yen)	Land (millions of yen) (thousand m²)	Leased assets (millions of yen)	Construction in progress (millions of yen)	Guarantee deposits (millions of yen)	Other (millions of yen)	Total (millions of yen)	
HHH.USA. INC. (New York City, New York, U.S.A.)	Hotel Business	Hotel facilities	4,842	64	2,758 (0)	—	—	—	10	7,675	30 (—)
Green World Hotels Co., Ltd. (Taipei, Taiwan)	Hotel Business	Hotel facilities	2,449	129	481 (0)	9,785	0	650	341	13,838	225 (6)

(Notes) 1. Of the book value, "Other" comprises machinery, equipment, and software, etc.
2. The number of temporary employees stated in parentheses refer to the annual average number of temporary workers, which is not included in the number of employees.
3. Of leased facilities, leasing fees incurred by overseas subsidiaries during the current consolidated fiscal year was 1,393 million yen.
4. Facility names of overseas subsidiaries are consistent with company names.

3. Plan for Additions and Disposals of Facilities

The plan for addition of a major facility as of the end of the fiscal year ended October 31, 2022 is listed below.

IV. Information on the Company

1. Information on the Company's Shares

(1) Total number of shares, etc.

① Total number of shares

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

② Number of shares issued

Category	Number of shares issued as of end of fiscal year (As of October 31, 2022)	Number of shares issued as of filing date (January 27, 2023)	Stock exchange on which the Company is listed	Description
Common stock	79,860,936	79,860,936	First Section of the Tokyo Stock Exchange	Standard Company shares with no restricted rights; 100 shares constitute one unit.
Total	79,860,936	79,860,936	—	—

(Notes) 1. The number of shares issued as of filing date does not include the number of shares issued through the exercise of share acquisition rights from January 1, 2023 until the filing date for this Annual Securities Report.

2. The Company was listed on the First Section of the Tokyo Stock Exchange. However, due to a revision of market divisions of the Tokyo Stock Exchange dated April 4, 2022, the name of the listed financial instruments exchange from that date on is given as the Tokyo Stock Exchange Prime Market.

(2) Information on share acquisition rights, etc.

① Details of stock option program

Share acquisition rights issued under the provisions of Articles 236, 238, and 240 of the Companies Act for the purpose of granting stock options to Directors and employees of the Company and its subsidiaries are presented below.

Third Series of Share Acquisition Rights

Resolution date	January 29, 2020
Category and number of grantees	Directors of the Company: 5 Employees of the Company:1,541 Directors of subsidiaries:44 Employees of subsidiaries:200
Number of share acquisition rights (*)	9,005
Class, content, and number of shares subject to share acquisition rights (*)	Common shares, 900,500 (Notes 1, 2)
Amount payable on the exercise of share acquisition rights (*)	1,387 yen (Note 3)
Exercise period of share acquisition rights (*)	From April 1, 2023 to March 31, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (*)	Issue price: 1,678 yen Additional paid-in capital per share: 839 yen
Conditions for exercise of share acquisition rights (*)	(Note 4)
Matters regarding transfer of share acquisition rights (*)	Approval of the Company's Board of Directors is required for the acquisition of any share acquisition rights by means of transfer.
Matters regarding grant of share acquisition rights accompanying corporate reorganization (*)	(Note 5)

(*) The information above is as of the end of the current fiscal year (October 31, 2022). The information as of the end of the month preceding the filing date (December 31, 2022) has been omitted as it had not changed from the end of the current fiscal year.

(Notes) 1. The number of shares to be granted upon exercise of each share acquisition right (hereinafter, the "Number of Shares to be Granted") shall be 100 shares.

2. If the Company implements a stock split (including gratis allotment of shares of common stock; items pertaining to stock split shall also apply to gratis allotment hereinafter) or stock consolidation with respect to common stock of the Company after the date of allotment of the share acquisition rights, the Number of Shares to be Granted with respect to the share acquisition rights not exercised at that time will be adjusted in accordance with the following formula.

Number of Shares to be Granted post-adjustment = Number of Shares to be Granted pre-adjustment × Stock split or consolidation ratio. In addition, in the event an adjustment of the Number of Shares to be Granted is required for unavoidable reasons, the Number of Shares to be Granted may be adjusted to the extent necessary, subject to a Board of Directors resolution.

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

3. If the Company implements a stock split or stock consolidation with respect to its common stock, the amount payable on the exercise of share acquisition rights (hereinafter, the "exercise price") shall be adjusted in accordance with the following formula, and any fractions of less than one yen resulting from the adjustment shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{1}{\text{Stock split/ consolidation ratio}}$$

In the event of new share issuance or treasury share disposals at less than market price (excluding share issuance, treasury share disposals, or transfers of treasury share by share exchange associated with the exercise of share acquisition rights), the exercise price shall be adjusted in accordance with the following formula, and any fractions of less than one yen resulting from the adjustment shall be rounded up.

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of newly issued shares x Amount payable per share}}{\text{Market value per share}}}{\text{Number of shares already issued + Number of newly issued shares}}$$

The "number of shares already issued" in the above formula shall equal the total number of shares outstanding, less the number of treasury shares owned by the Company. In the case of treasury share disposals, the "number of newly issued shares" in the above formula shall be taken to mean the "number of treasury shares disposed of," and the "amount payable per share" shall be taken to mean the “disposal value per share.”

If the Company conducts a merger, or a demerger, or if other such situations occur, the Company reserves the right to adjust the exercise price within a necessary and reasonable range.

4. The exercise conditions of the share acquisition rights are as follows.

(1) Persons granted an allotment of the share acquisition rights (hereinafter, the “Rights Holders”) must be Directors or employees of the Company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors in the case of resignations of Directors after their terms have expired, mandatory retirement for employees, transfers prompted by an administrative order, or based on other justifiable reasons.

(2) In the event of the death of a Rights Holder, rights may not be exercised by the corresponding heir.

(3) Other conditions are as stipulated in the share acquisition rights allotment agreement concluded between the Company and the Rights Holder.

5. In the event the Company engages in a merger (only if the Company is to be dissolved as a result of the merger), an absorption-type demerger or incorporation-type demerger (in each case, only if the Company is to be the demerged company), or share exchange or share transfer (in each case, only if the Company is to become a wholly owned subsidiary) (hereinafter all of which are collectively referred to as “Reorganization”), then the Rights Holders of share acquisition rights remaining in effect (the “Remaining Share Acquisition Rights”) immediately prior to the effective date of the Reorganization (hereinafter respectively referring to an effective date of absorption-type merger in case of an absorption-type merger, a date of incorporation of a company incorporated through a consolidation-type merger in case of a consolidation-type merger, an effective date of absorption-type demerger in case of an absorption-type demerger, a date of incorporation of a company incorporated through an incorporation-type demerger in case of an incorporation-type demerger, an effective date of a share exchange in case of a share exchange, or a date of incorporation of a wholly owning parent company incorporated through a share transfer) shall be granted share acquisition rights of the relevant stock company specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (hereinafter, the “Reorganized Company”). However, these share acquisition rights shall be granted only if provisions for issuing the share acquisition rights of the Reorganized Company in accordance with the following conditions are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type demerger agreement, an incorporation-type demerger plan, a share exchange agreement, or a share transfer plan.

(1) Number of share acquisition rights of the Reorganized Company to be issued

The number of share acquisition rights equal to the number of Remaining Share Acquisition Rights held by respective Rights Holders shall be issued.

(2) Class of shares of the Reorganized Company subject to share acquisition rights

Common stock of the Reorganized Company

(3) Number of shares of the Reorganized Company subject to share acquisition rights

The number shall be reasonably adjusted in consideration of the conditions of Reorganization, etc., and any fractions of less than one share resulting from the adjustment shall be rounded down.

(4) Amount of assets to be contributed upon exercise of share acquisition rights

The amount shall be reasonably adjusted in consideration of the conditions of Reorganization, etc., and any fractions of less than one yen resulting from the adjustment shall be rounded up.

(5) Exercise period of share acquisition rights

The exercise period of share acquisition rights shall be from the latter of the first day of the aforementioned “exercise period of share acquisition rights” or the effective date of the Reorganization, to the expiration date of the “exercise period of share acquisition rights.”

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

Determined in accordance with aforementioned “share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights.”

(7) Restrictions on acquisition of share acquisition rights through transfer

The acquisition of share acquisition rights through transfer shall be subject to the approval of the Reorganized Company’s Board of Directors.

(8) Conditions for the exercise of share acquisition rights

Determined in accordance with aforementioned “Conditions for exercise of share acquisition rights.”

(9) Matters concerning the acquisition of share acquisition rights

Determined in accordance with the following “Conditions for acquisition of own share acquisition rights and reason for acquisition.”

Conditions for acquisition of own share acquisition rights and reason for acquisition

If the Rights Holder, prior to exercising his/her share acquisition rights, loses the eligibility to exercise such rights pursuant to the provisions prescribed in the above “Conditions for exercise of share acquisition rights,” the Company reserves the right to acquire subject share acquisition rights gratis on a date separately determined by its Board of Directors.

In the event proposals a, b, or c below are approved at the Company’s General Meeting of Shareholders (in the event a General Meeting of Shareholders resolution is unnecessary, approval by the Board of Directors), the Company may acquire share acquisition rights gratis on a date separately determined by its Board of Directors.

a: Proposal for approval of a merger agreement causing the Company to be dissolved

b: Proposal for approval of a demerger agreement or demerger plan resulting in the Company becoming the demerged company
c: Proposal for approval of a share exchange agreement or stock transfer plan in which the Company becomes a wholly owned subsidiary

② Details of rights plans
There are no applicable matters to report.

③ Status of other share acquisition rights, etc.

Euro-Yen Denominated convertible bond-type bonds with Share Acquisition Rights due 2024

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

(*) The information above is as of the end of the current fiscal year (October 31, 2022). The information as of the end of the month preceding the filing date (December 31, 2022) has been omitted as it had not changed from the end of the current fiscal year.

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

2. (1) Initially, the conversion price will be 5,616 yen.

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

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

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

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

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

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

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

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

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

5. (1) Partial exercise of each share acquisition right is not possible.

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

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

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

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

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

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

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

① Number of share acquisition rights

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

② Class of shares subject to share acquisition rights

Common stock of the Succeeding Company

③ Number of shares subject to share acquisition rights

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

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

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

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

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

⑤ Exercise period of share acquisition rights of the Succeeding Company

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

⑥ Other conditions for exercise of share acquisition rights

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

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

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

⑧ In the event of corporate reorganization

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

⑨ Other

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

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

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

Fourth Series of Share Acquisition Rights

Resolution date	October 2, 2020
Number of share acquisition rights (*)	15,000
Of which, number of share acquisition rights held by the Company (*)	—
Class, content, and number of shares subject to share acquisition rights (*)	Common shares, 1,500,000 (Note 1)
Amount payable on the exercise of share acquisition rights (*)	1,665.9 yen (Note 2)
Exercise period of share acquisition rights (*)	From October 20, 2020 to October 19, 2023
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (*)	Issue price: 1,680.09 yen Additional paid-in capital per share: 841 yen
Conditions for exercise of share acquisition rights (*)	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights (*)	There are no applicable matters to report.
Matters regarding grant of share acquisition rights accompanying corporate reorganization (*)	(Note 5)

(*) The information above is as of the end of the current fiscal year (October 31, 2022). The information as of the end of the month preceding the filing date (December 31, 2022) has been omitted as it had not changed from the end of the current fiscal year.

(Notes) 1. The type and total number of shares subject to the share acquisition rights shall be 1,500,000 common shares of the Company (the number of shares to be issued per share acquisition right [the "Number of Allotted Shares"] shall be 100 common shares of the Company).)。 However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.

(1) If an adjustment is made to the exercise price in accordance with the provisions in "Note 2. Adjustment of exercise price" below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the "Amount payable on the exercise of share acquisition rights" field.

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

(2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of "Note 2. Adjustment of exercise price" concerning the adjustment reasons.

(3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the "Rights Holders") in writing of such adjustment and the reason therefor, the Number of Allotted Shares preadjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) ⑤ of "Note 2. Adjustment of exercise price" below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

2. Adjustment of exercise price

(1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the "Exercise Price Adjustment Formula;" the exercise price after adjustment shall be referred to as the "Post-Adjustment Exercise Price" and the share price before adjustment as the "Pre-Adjustment Exercise Price").)。

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

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

①If the Company issues new common shares at a price lower than the market price specified in item (4) ② below or disposes of treasury shares (including those by means of gratis allotment) (excluding the cases of [1] issuance of new common shares to Directors or employees of the Company or one of its subsidiaries, or disposals of treasury shares by the Company, based on the restricted stock compensation scheme introduced by the Company; or [2] acquisition, conversion, or exercise of securities that have been acquired or are subject to demand for acquisition by the Company in exchange of allotment of the Company's common shares, share acquisition rights under which Rights Holders can demand the issuance of Company's common shares [including those attached to bonds with share acquisition rights] and other securities and rights; or [3] issuance of new common shares of the Company based on a resolution by the Board of Directors on October 2, 2020), the Post-Adjustment Exercise Price shall be applicable from the day following the pay-in date (the final day of the payment period, if such a period is set), or from the day following the record date, if there is such a day for granting shareholders a right to allotment relating to such issuance or disposal.

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

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

The Post-Adjustment Exercise Price shall be applicable from the pay-in date for the securities or rights, or on and after the day following the allotment date of the share acquisition rights (including those attached to bonds with share acquisition rights). If there is a record date for share subscriptions or for gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following such date.

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

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

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

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

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

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

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

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

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

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

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

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

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

３． Total share issue price for shares issued upon exercise of share acquisition rights
2,520,135,000 yen

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

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

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

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

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

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

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

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

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

(5) Exercise period, exercise conditions, and acquisition conditions for share acquisition rights to be newly issued, issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights
Note: Determined at the time of organizational restructuring in accordance with the conditions stated in the ″Exercise period of share acquisition rights″ column, ″Conditions for exercise of share acquisition rights″ column, this column, and the ″Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights″ column.

Fifth series of share acquisition rights

Resolution date	November 2, 2021
Number of share acquisition rights (*)	17,214
Of which, number of share acquisition rights held by the Company (*)	—
Class, content, and number of shares subject to share acquisition rights (*)	Common shares, 1,721,400 (Note 1)
Amount payable on the exercise of share acquisition rights (*)	2,678.5 yen (Note 2)
Exercise period of share acquisition rights (*)	From November 24, 2021 to November 22, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (*)	Issue price: 2,711.08 yen Additional paid-in capital: 1,356 yen
Conditions for exercise of share acquisition rights (*)	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights (*)	There are no applicable matters to report.
Matters regarding grant of share acquisition rights accompanying corporate reorganization (*)	(Note 5)

(*) The information above is as of the end of the current fiscal year (October 31, 2022). The information as of the end of the month preceding the filing date (December 31, 2022) has been omitted as it had not changed from the end of the current fiscal year.

(Notes) 1. The type and total number of shares subject to the share acquisition rights shall be 1,721,400 common shares of the Company (the number of shares to be issued per share acquisition right [the "Number of Allotted Shares"] shall be 100 common shares of the Company).）。 However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.

(1) If an adjustment is made to the exercise price in accordance with the provisions in "Note 2. Adjustment of exercise price" below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the "Amount payable on the exercise of share acquisition rights" field.

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

(2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of "Note 2. Adjustment of exercise price" concerning the adjustment reasons.

(3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the "Rights Holders") in writing of such adjustment and the reason therefor, the Number of Allotted Shares preadjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) ⑤ of "Note 2. Adjustment of exercise price" below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

2． Adjustment of exercise price

(1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the "Exercise Price Adjustment Formula;" the exercise price after adjustment shall be referred to as the "Post-Adjustment Exercise Price" and the share price before adjustment as the "Pre-Adjustment Exercise Price").

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

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

① If the Company issues new common shares at a price lower than the market price specified in item (4) ② below or disposes of treasury shares (including those by means of gratis allotment) (excluding the cases of [1] issuance of new common shares to Directors or employees of the Company or one of its subsidiaries, or disposals of treasury shares by the Company, based on the restricted stock compensation scheme introduced by the Company; or [2] acquisition, conversion, or exercise of securities that have been acquired or are subject to demand for acquisition by the Company in exchange of allotment of the Company' s common shares, share acquisition rights under which Rights Holders can demand the issuance of Company' s common shares [including those attached to bonds with share acquisition rights] and other securities and rights;

or issuance of new common shares of the Company based on a resolution by the Board of Directors on November 2, 2021 between Pacific Alliance Asia Opportunity Fund L.P. and Mr. Hideo Sawada, the Chairman and Representative Director of the Company, for a share and share acquisition rights issuance program (hereinafter, the "Program") established in an agreement related to the establishment of the share and share acquisition rights issuance program.) , the Post-Adjustment Exercise Price shall be applicable from the day following the pay-in date (the final day of the payment period, if such a period is set), or from the day following the record date, if there is such a day for granting shareholders a right to allotment relating to such issuance or disposal.

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

③ If common shares are acquired from the Company at a payment price lower than the market price specified in Item (4) ② below as part of an exchange, if the Company issues securities (including through gratis allotment) that can request the Company to issue common shares at such a lower price, or if the Company issues share acquisition rights, bonds with share acquisition rights, or other securities or rights (including through gratis allotment)) (the issuance of stock acquisition rights as stock options to directors or employees of the Company or its subsidiaries based on a resolution of the Board of Directors of the Company, and this provision introduced by a resolution of the Board of Directors of the Company on November 2, 2021). Excludes cases where stock acquisition rights are issued under the program.

The Post-Adjustment Exercise Price shall be applicable from the pay-in date for the securities or rights, or on and after the day following the allotment date of the share acquisition rights (including those attached to bonds with share acquisition rights). If there is a record date for share subscriptions or for gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following such date.

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

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

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

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

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

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

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

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

(5) In cases other than the cases where an adjustment to the exercise price in accordance with item (2) above

is required, the Company shall make necessary adjustments to the exercise price upon discussion with the Rights Holders in the following cases.

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

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

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

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

3． Total share issue price for shares issued upon exercise of share acquisition rights
4,610,769,900 yen

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

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

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

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

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

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

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

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

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

(5) Exercise period, exercise conditions, and issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights
Note: Determined at the time of organizational restructuring in accordance with the conditions stated in the ″Exercise period of share acquisition rights″ column, ″Conditions for exercise of share acquisition rights″ column, this column, and the ″Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights″ column.

Sixth series of share acquisition rights

Resolution date	November 22, 2021
Number of share acquisition rights (*)	18,280
Of which, number of share acquisition rights held by the Company (*)	—
Class, content, and number of shares subject to share acquisition rights (*)	Common shares, 1,828,000 (Note 1)
Amount payable on the exercise of share acquisition rights (*)	2,523.4 yen (Note 2)
Exercise period of share acquisition rights (*)	From December 24, 2021 to December 13, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (*)	Issue price: 2,552.97 yen Additional paid-in capital: 1,277 yen
Conditions for exercise of share acquisition rights (*)	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights (*)	There are no applicable matters to report.
Matters regarding grant of share acquisition rights accompanying corporate reorganization (*)	(Note 5)

(*) The information above is as of the end of the current fiscal year (October 31, 2022). The information as of the end of the month preceding the filing date (December 31, 2022) has been omitted as it had not changed from the end of the current fiscal year.

(Notes) 1. The type and total number of shares subject to the share acquisition rights shall be 1,828,000 common shares of the Company (the number of shares to be issued per share acquisition right [the "Number of Allotted Shares"] shall be 100 common shares of the Company).)。 However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.

(1) If an adjustment is made to the exercise price in accordance with the provisions in "Note 2. Adjustment of exercise price" below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the "Amount payable on the exercise of share acquisition rights" field.

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

(2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of "Note 2. Adjustment of exercise price" concerning the adjustment reasons.

(3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the "Rights Holders") in writing of such adjustment and the reason therefor, the Number of Allotted Shares preadjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) ⑤ of "Note 2. Adjustment of exercise price" below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

2． Adjustment of exercise price

(1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the "Exercise Price Adjustment Formula;" the exercise price after adjustment shall be referred to as the "Post-Adjustment Exercise Price" and the share price before adjustment as the "Pre-Adjustment Exercise Price").)。

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

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

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

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

③If common shares are acquired from the Company at a payment price lower than the market price specified in Item (4) ② below as part of an exchange, if the Company issues securities (including through gratis allotment) that can request the Company to issue common shares at such a lower price, or if the Company issues share acquisition rights, bonds with share acquisition rights, or other securities or rights (including through gratis allotment)) (the issuance of stock acquisition rights as stock options to directors or employees of the Company or its subsidiaries based on a resolution of the Board of Directors of the Company, and this provision introduced by a resolution of the Board of Directors of the Company on November 2, 2021). Excludes cases where stock acquisition rights are issued under the program.)

The Post-Adjustment Exercise Price shall be applicable from the pay-in date for the securities or rights, or on and after the day following the allotment date of the share acquisition rights (including those attached to bonds with share acquisition rights). If there is a record date for share subscriptions or for gratis allotment, the Post-Adjustment Exercise Price shall be applicable on and after the day following such date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4,612,775,200 yen

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

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

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

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

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

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

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

(1) Number of share acquisition rights of the Reorganized Company to be newly issued

To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization based on the number of share acquisition rights owned by the Rights Holders. Any fractions of less than one right resulting therefrom shall be rounded down.

(2) Type of shares subject to share acquisition rights to be newly issued

The same type of shares of the Reorganized Company.

(3) Calculation method of the number of shares subject to share acquisition rights to be newly issued

To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one share resulting therefrom shall be rounded down.

(4) Value of property invested for exercise of share acquisition rights to be newly issued

To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one yen resulting therefrom shall be rounded down.

(5) Exercise period, exercise conditions, and issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights

Note: Determined at the time of organizational restructuring in accordance with the conditions stated in the "Exercise period of share acquisition rights" column, "Conditions for exercise of share acquisition rights" column, this column, and the "Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights" column.

Seventh series of share acquisition rights

Resolution date	December 13, 2021
Number of share acquisition rights (*)	23,252
Of which, number of share acquisition rights held by the Company (*)	—
Class, content, and number of shares subject to share acquisition rights (*)	Common shares, 2,325,200 (Note 1)
Amount payable on the exercise of share acquisition rights (*)	1,983.3 yen (Note 2)
Exercise period of share acquisition rights (*)	From December 29, 2021 to December 28, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (*)	Issue price: 2,007.1 yen Additional paid-in capital: 1,004 yen
Conditions for exercise of share acquisition rights (*)	Partial exercise of each share acquisition right is not possible.
Matters regarding transfer of share acquisition rights (*)	There are no applicable matters to report.
Matters regarding grant of share acquisition rights accompanying corporate reorganization (*)	(Note 5)

(*) The information above is as of the end of the current fiscal year (October 31, 2022). The information as of the end of the month preceding the filing date (December 31, 2022) has been omitted as it had not changed from the end of the current fiscal year.

(Notes) 1. The type and total number of shares subject to the share acquisition rights shall be 2,325,200 common shares of the Company (the number of shares to be issued per share acquisition right [the "Number of Allotted Shares"] shall be 100 common shares of the Company).）。 However, if the Number of Allotted Shares is adjusted in accordance with items (1) or (3) below, the total number of shares subject to the share acquisition shall be adjusted based on the Number of Allotted Shares after adjustment.

(1) If an adjustment is made to the exercise price in accordance with the provisions in "Note 2. Adjustment of exercise price" below, the Number of Allotted Shares shall be calculated using the following formula. Any fractions of less than one share resulting therefrom shall be rounded down. In addition, the pre- and post-adjustment exercise prices used in this formula shall be the pre- and post-adjustment exercise prices specified separately in the "Amount payable on the exercise of share acquisition rights" field.

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

(2) The date on which the Number of Allotted Shares post-adjustment begins to be applicable shall be the same day as the application date of the post-adjustment exercise price in accordance with each item with regard to the adjustment of the exercise price specified in items (2) and (5) of "Note 2. Adjustment of exercise price" concerning the adjustment reasons.

(3) If an adjustment is made to the Number of Allotted Shares, the Company shall notify the holders of the share acquisition rights (the "Rights Holders") in writing of such adjustment and the reason therefor, the Number of Allotted Shares preadjustment, the Number of Allotted Shares post-adjustment, and the first day when the adjustment becomes applicable, and other necessary information by the day that precedes the day when the adjustment begins to be applicable. In the case specified in item (2) ⑤ of "Note 2. Adjustment of exercise price" below or other cases where the Company is unable to give such notice by the day preceding the day when the adjustment begins to be applicable, the Company shall give notice as early as possible after the day when the adjustment begins to be applicable.

2． Adjustment of exercise price

(1) If, after issuing the share acquisition rights, a change is made or may be made in the number of issued common shares of the Company for any of the reasons given in item (2) below, the Company shall use the following formula to adjust the exercise price (the "Exercise Price Adjustment Formula;" the exercise price after adjustment shall be referred to as the "Post-Adjustment Exercise Price" and the share price before adjustment as the "Pre-Adjustment Exercise Price").

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4,611,569,160 yen

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

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

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

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

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

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

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

(1) Number of share acquisition rights of the Reorganized Company to be newly issued

To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization based on the number of share acquisition rights owned by the Rights Holders. Any fractions of less than one right resulting therefrom shall be rounded down.

(2) Type of shares subject to share acquisition rights to be newly issued

The same type of shares of the Reorganized Company.

(3) Calculation method of the number of shares subject to share acquisition rights to be newly issued

To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one share resulting therefrom shall be rounded down.

(4) Value of property invested for exercise of share acquisition rights to be newly issued

To be reasonably adjusted in consideration of the conditions, etc. of the Reorganization. Any fractions of less than one yen resulting therefrom shall be rounded down.

(5) Exercise period, exercise conditions, and issuance of share acquisition rights in the event of a Reorganization, non-issuance of securities with share acquisition rights, and increase in share capital and legal capital surplus arising from issuance of shares upon exercise of share acquisition rights

Note: Determined at the time of organizational restructuring in accordance with the conditions stated in the "Exercise period of share acquisition rights" column, "Conditions for exercise of share acquisition rights" column, this column, and the "Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights" column.

(3) Execution status of moving strike bonds with share acquisition rights, etc.

There are no applicable matters to report.

(4) Changes in the total number of issued shares, share capital, etc.

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

(Notes) 1. Capital increase through third-party allotment
Issue price: 1,525 yen
Additional paid-in capital: 762.5 yen
Allottee: Long Corridor Alpha Opportunities Master Fund MAP246 Segregated Portfolio

2．Decrease due to cancellation of treasury shares

3．Increase due to exercise of share acquisition rights

4．Capital increase through third-party allotment
Issue price: 2,192 yen
Additional paid-in capital: 1,096 yen
Allottee: Pacific Alliance Asia Opportunity Fund L.P.

5．Capital increase through third-party allotment
Issue price: 2,065 yen
Additional paid-in capital: 1,032.5 yen
Allottee: Pacific Alliance Asia Opportunity Fund L.P.

6．Capital increase through third-party allotment
Issue price: 1,623 yen
Additional paid-in capital: 811.5 yen
Allottee: Pacific Alliance Asia Opportunity Fund L.P.

7．In accordance with the resolution of the extraordinary general meeting of shareholders held on October 27, 2022, the amount of share capital and legal capital surplus has been reduced for the purpose of improving the financial position, and the resulting other legal capital surplus is 42,133 million yen, of which 13,363 million yen was appropriated to compensate for the deficit of retained earnings brought forward.
As a result, share capital decreased by 24,698 million yen (99.6% reduction in share capital) and the legal capital surplus decreased by 17,434 million yen (99.9% reduction in share capital).

(5) Composition of issued shares by type of shareholders

As of October 31, 2022

Category	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	–	17	42	420	171	828	70,804	72,282	–
Share ownership (units)	–	95,345	28,989	50,598	65,156	3,555	553,352	796,995	161,436
Ownership percentage of shares (%)	–	11.96	3.64	6.35	8.18	0.45	69.42	100.00	–

(Notes) 1. Of the 5,909,220 treasury shares, 59,092 units are included in the "Individuals and others" column, while 20 shares are included in the "Number of shares less than one unit" column.
2. Of the shares registered in the name of Japan Securities Depository Center, Incorporated, 18 units are included in the "Other corporations" column and 40 shares are included in the "Number of shares less than one unit" column.

(6) Major shareholders

As of October 31, 2022

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (excluding treasury shares) (%)
Hideo Sawada	Shibuya-ku, Tokyo	17,952	24.28
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsucho, Minato-ku, Tokyo	6,265	8.47
Hide Inter Ltd.	1-7-26 Shoto, Shibuya-ku, Tokyo	3,757	5.08
Custody Bank of Japan, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	2,920	3.95
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	976	1.32
H.I.S. Employee Stock Ownership Association	4-1-1 Toranomon, Minato-ku, Tokyo	932	1.26
Mayumi Sawada	Shibuya-ku, Tokyo	900	1.22
STATE STREET BANK AND TRUST COMPANY (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) (Standing proxy: The Hong Kong and Shanghai Banking Corporation, Tokyo Branch, Custody Business Department)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1 Konan, Minato-ku, Tokyo) (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	886	1.20
SBI Securities Co., Ltd.	1-6-1 Roppongi, Minato-ku, Tokyo	841	1.14
JP JPMSE LUX RE NOMURA INT PLC 1 EQCO (Standing proxy: MUFG Bank, Ltd.)	1 ANGEL LANE LONDON-NORTH OF THE THAMES UNITED KINGDOM EC4R 3AB (2-7-1 Marunouchi, Chiyoda-ku, Tokyo)	767	1.04
Total	–	36,200	48.95

(Notes) 1. Of the shares owned by the above trust banks, the number of shares pertaining to trust services is as follows.
The Master Trust Bank of Japan, Ltd. 6,265 thousand shares
Custody Bank of Japan, Ltd. 2,920 thousand shares

2． A Report of Possession of Large Volume (Change Report No. 1) as stipulated in Article 27-26, Paragraph (2)-(i) of the Financial Instruments and Exchange Act was submitted on June 22, 2022 (date reporting obligation arose: June 15, 2022) by Russell Investment Implementation Services L.L.C. Although its holdings of 3,071 thousand shares (ownership ratio: 3.85%) have been made public through the Report, the Company could not confirm the actual number of shares held under the applicable company name as of October 31, 2022, and has therefore not included the company in the “Major shareholders” above. The details of the Report of Possession of Large Volume are shown below.

Name of shareholder	Address or head office location	Share ownership (thousands of shares)	Holding ratio of share certificates, etc. (%)
Russell Investment Implementation Services L.L.C.	18th Floor, 1301, 2nd Avenue, Seattle, Washington 98101, U.S.A.	3,071	3.85

3. A Report of Possession of Large Volume (Change Report No. 1) of shares as stipulated in Article 27-26, Paragraph (2)-(i) of the Financial Instruments and Exchange Act was submitted on October 7 2022 (date reporting obligation arose: September 30, 2022) by Mizuho Securities Co., Ltd. and three joint shareholders. Although its holdings have been made public through the Report, the Company could not confirm the actual number of shares held under the applicable company name as of October 31, 2022, and has therefore not included the company in the “Major shareholders” above. The details of the Report of Possession of Large Volume are shown below.

Name of shareholder	Address or head office location	Share ownership (thousands of shares)	Holding ratio of share certificates, etc. (%)
Mizuho Securities Co., Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	892	1.11
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	2,959	3.67
Mizuho International (Mizuho International plc)	30 Old Bailey, London, EC4M 7AU, United Kingdom	0	0.00
Asset Management One International (Asset Management One International Ltd.)	30 Old Bailey, London, EC4M 7AU, United Kingdom	242	0.30
Total	－	4,093	5.08

(7) Information on voting rights

① Issued shares

As of October 31, 2022

Category	Number of shares (shares)	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Stock with full voting rights (treasury shares, etc.)	Common stock: 5,909,200	—	—
Shares with full voting rights (others)	Common stock: 73,790,300	737,903	—
Shares less than one unit	Common stock: 161,436	—	—
Total number of issued shares	79,860,936	—	—
Total number of voting rights held by all shareholders	—	737,903	—

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

② Treasury shares

As of October 31, 2022

Shareholder	Shareholder address	Number of shares held under own name	Number of shares held under another name	Total number of shares held	Ownership percentage to the total number of issued shares (%)
H.I.S. Co., Ltd.	4-1-1 Toranomon, Minato-ku, Tokyo	5,909,200	—	5,909,200	7.40
Total	—	5,909,200	—	5,909,200	7.40

2. Information on Acquisition of Treasury Shares, etc.

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

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

There are no applicable matters to report.

(2) Acquisition by resolution of the Board of Directors

There are no applicable matters to report.

(3) Acquisition not based on resolutions at the General Meeting of Shareholders or of the Board of Directors

Category	Number of shares (shares)	Total amount (millions of yen)
Treasury shares acquired during the current fiscal year	110	0
Treasury shares acquired during the current period	—	—

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

(4) Status of the disposition and holding of acquired treasury shares

Category	Current fiscal year		Current period	
	Number of shares (shares)	Total amount disposed (millions of yen)	Number of shares (shares)	Total amount disposed (millions of yen)
Acquired treasury shares for which subscribers were solicited	―	―	―	―
Acquired treasury shares that were disposed of	―	―	―	―
Acquired treasury shares transferred due to merger, share exchange, or demerger	―	―	―	―
Others (disposal of treasury shares as restricted stock remuneration)	12,988	32	―	―
Total number of treasury shares held	5,909,220	―	5,909,220	―

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

3. Dividend Policy

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

The Company decided not to pay an annual dividend in the current consolidated fiscal year, as it believed it needed to urgently stabilize its financial condition while working to achieve a recovery in earnings.

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

4. Corporate Governance, etc.

(1) Overview of corporate governance

Basic policy on corporate governance

Fully embracing its founding intention, the H.I.S. Group corporate philosophy, and the H.I.S. corporate philosophy, the Company seeks to achieve sustainable growth and enhance its corporate value over the medium to long term by providing products and services that are useful to the society. To realize this objective, the Company intends to make fair, transparent, quick, and decisive decisions with a sound awareness of the positions of its shareholders, customers, employees, business partners, and local communities; fulfill accountability; and become a company appreciated and trusted by society.

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

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

① Overview of corporate governance structure

The Company has adopted a corporate governance structure with an Audit & Supervisory Committee, and has set up an HR & Nomination Committee, a Remuneration Committee, an Investment Committee, and a Finance & Management Committee as advisory committees to its Board of Directors.

The Board of Directors comprises 13 Directors, including five Outside Directors, and is chaired by Representative Director and President Motoshi Yada. Other members include Hideo Sawada (Chairman and Representative Director), Tatsuya Nakamori (Director), Masayuki Oda (Director), Atsushi Yamanobe (Director), Mutsumi Gomi (Director), Hidetaka Sawada (Director), Junko Owada (Outside Director), Shingo Kagawa (Outside Director), Hiroto Kaneko (Outside Director), Tsunekazu Umeda (Director and Audit & Supervisory Committee Member [Outside Director]), Atsushi Nabeshima (Director and Audit & Supervisory Committee Member [Outside Director]), and Sonoko Sekita (Director and Audit & Supervisory Committee Member). The Board of Directors makes decisions regarding matters provided by laws and regulations, basic operating policies, and important matters related to management, and oversees the execution of duties by its Directors and Executive Officers. As a rule, it meets once a month.

The HR & Nomination Committee comprises six Directors, including two Outside Directors, and is chaired by Representative Director and President Motoshi Yada. Other members include Hideo Sawada (Chairman and Representative Director), Tatsuya Nakamori (Director), Masayuki Oda (Director), Tsunekazu Umeda (Director and Audit & Supervisory Committee Member [Outside Director]), and Atsushi Nabeshima (Director and Audit & Supervisory Committee Member [Outside Director]). The committee appoints and dismisses Directors and Executive Officers, and meets whenever the need arises.

The Remuneration Committee comprises six Directors, including two Outside Directors, and is chaired by Representative Director and President Motoshi Yada. Other members include Hideo Sawada (Chairman and Representative Director), Tatsuya Nakamori (Director), Masayuki Oda (Director), Tsunekazu Umeda (Director and Audit & Supervisory Committee Member [Outside Director]), and Atsushi Nabeshima (Director and Audit & Supervisory Committee Member [Outside Director]). The committee decides on remuneration for individual Directors and Executive Officers as well as Presidents of subsidiaries and associates.

The Investment Committee comprises five Directors, including one Outside Director, and is chaired by Representative Director and President Motoshi Yada. Other members include Hideo Sawada (Chairman and Representative Director), Masayuki Oda (Director), Hidetaka Sawada (Director), and Tsunekazu Umeda (Director and Audit & Supervisory Committee Member [Outside Director]). The committee assists the Board of Directors with decisions regarding investment projects.

The Finance & Management Committee comprises five Directors, including one Outside Director, and is chaired by Representative Director and President Motoshi Yada. Other members include Hideo Sawada (Chairman and Representative Director), Masayuki Oda (Director), Tsunekazu Umeda (Director and Audit & Supervisory Committee Member [Outside Director]), and Sonoko Sekita (Director and Audit & Supervisory Committee Member). The committee assists the Board of Directors with decisions regarding procurement and management of material funds.

② Reason for adoption of corporate governance structure

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

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

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

③ Other matters related to corporate governance

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

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

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

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

1) To ensure thorough ethical compliance, the Company has formulated the H.I.S. policy, the H.I.S. Group corporate philosophy, the H.I.S. corporate philosophy, the H.I.S. Charter of Corporate Behavior, and other guidelines, and made these available through its website, intranet, and other channels as a reference for its officers and employees.
2) The "Refresh Hotline," an internal report window operated by outside experts: details of employee consultations are delivered anonymously to the Company with accompanying expert opinions based on consultation details. Acting as an intermediary between employees and the Company, this service functions as the Company's self-correcting system in terms of corporate ethics and compliance violations.
3) Through its activities, the Risk Management and Compliance Committee aims to improve the Group's awareness of compliance by implementing compliance measures. As a secretariat, the Risk Management Office functions as a point of contact for reporting and consulting when encountering suspected compliance violations by officers and employees of subsidiaries and associates. A system is being designed in which upper management promotes compliance and the status of compliance can be utilized in the evaluation and treatment of management.
4) The Board of Directors makes important business execution decisions via Board resolution and in accordance with laws and regulations, the Articles of Incorporation, and internal regulations, and receives reports on the business execution status of each Director and the performance of major Group companies.
5) Important information such as resolutions by the Board of Directors is being appropriately retained, recorded, and managed by those departments with authority and responsibility in accordance with laws, regulations, and timely disclosure rules of the financial instruments exchange. In the event information is determined to be useful for shareholders and investors in making appropriate investment decisions, the Company makes an effort to provide appropriate disclosure.
6) Systematic auditing by the Audit & Supervisory Committee utilizing the internal control system is being conducted effectively, with the Audit Department (Internal Audit Division) fulfilling its expected role.

The Company is also reviewing various procedures based on actual work conditions.

(II) Risk management system and status

Matters that may negatively impact business results, financial condition, stock price, and other aspects of the Company and Group businesses are described in the "2. Business and Other Risks" section in "II. Business Overview, Part I Information on the Company."

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

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

The Company has set forth in its Articles of Incorporation a stipulation based on the provision of Article 427, Paragraph 1 of the Companies Act and accordingly has concluded with the three non-Executive Directors (who are Directors serving as Audit & Supervisory Committee Members) and with the accounting auditor such agreements to limit their liability for damages as prescribed in Article 423, Paragraph 1 of the Companies Act.

This limitation of liability is applied only in cases where the Director serving as Audit & Supervisory Committee Member or the accounting auditor causing the damage performed his/her duties in good faith and without gross negligence; the limit of liability in such a case is the "minimum liability limit" amount stipulated in Article 425, Paragraph 1 of the Companies Act.

Furthermore, limited liability agreements the Company concluded with Corporate Auditors (including former Corporate Auditors) during the phase when it was a company with Board of Corporate Auditors (namely, the period prior to the conclusion of the 35th General Meeting of Shareholders held on January 27, 2016 regarding the fiscal year ended October 31, 2015) as defined in the Articles of Incorporation effective at that time, remain in effect at the present time with the same stipulations as the current limited liability agreement.

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

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

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

(V) Number of Directors

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

(VI) Requirements for a resolution to appoint Directors

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

(VII) Year-end dividend and INTERIM dividend

a) Year-end dividend

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

b) INTERIM dividend

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

(VIII) Acquisition of treasury shares

Based on Article 165, Paragraph 2 of the Companies Act, the Articles of Incorporation stipulate that "through a resolution by the Board of Directors, treasury shares can be acquired through a market transaction, etc." The purpose of establishing this provision is to make it possible to flexibly carry out capital policies corresponding to changes in the business environment. The Board of Directors, in making a decision to acquire treasury shares, will comprehensively judge the status of business results including earnings trends, future performance forecasts, basic capital policies, etc. from the standpoint of continuous enhancement of corporate value and appropriate shareholder return.

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

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

(X) Special resolution at the General Meeting of Shareholders

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

(2) Directors and other officers

① Status of Directors and other officers

Male: 11, Female: 2 (percentage of female directors 15.4%)

Title	Name	Date of birth	Career summary		Term of office	Share ownership (thousands of shares)
Representative Director, Chairman, Group Chief Executive Officer (CEO) (Note 5)	Hideo Sawada	February 4, 1951	Dec. 1980	Established the Company and became Representative Director and President	(Note 3)	17,952
			Mar. 1999	Representative Director and President, Kyoritsu Shoken, Co., Ltd. (currently HS Holdings Co., Ltd.)		
			Mar. 2003	Director and Chairman, Agricultural Bank of Mongolia LLC (currently Khan Bank LLC)		
			Jun. 2004	Director and Chairman of the Company		
			Dec. 2009	Representative Director and Chairman of the Company		
			Mar. 2010	Representative Director and President of Huis Ten Bosch		
			Sep. 2012	Chairman of Tokyo Symphony Orchestra		
			Nov. 2016	Representative Director, Chairman and President, Chief Executive Officer (CEO) of the Company Representative Director and Chairman of Sawada Holdings Co., Ltd. (currently HS Holdings Co., Ltd.)		
			Nov. 2017	Representative Director, Chairman and President of H.I.S. Hotel Holdings Co., Ltd.		
			Jan. 2018	Representative Director, Chairman and President, Chief Executive Officer of the Company; Group Chief Executive Officer (CEO)		
			Jan. 2019	Representative Director and Chairman of H.I.S. Hotel Holdings Co., Ltd.		
			May. 2019	Director and Chairmans of Huis Ten Bosch		
			Jan. 2021	Representative Director, Chairman and President of H.I.S. Hotel Holdings Co., Ltd. (current)		
			Mar. 2022	Representative Director, Chairman, Group Chief Executive Officer (CEO) of the Company (current)		
Representative Director and President Chief Operating Officer (COO) (Note 5)	Motoshi Yada	July 25, 1961	Apr. 1984	Joined Japan Ground Self-Defense Force	(Note 3)	3
			Aug. 1993	Joined the company		
			May. 1998	Assistant Manager of Kanto Sales Division		
			May. 2000	Manager of HQ President's Office		
			Sep. 2001	Manager of HQ HR Division		
			Nov. 2004	Manager of Kansai Sales Division		
			Oct. 2005	Advisor to Kyushu Industrial Transportation Co., Ltd. (currently KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO, LTD.)		
			Nov. 2005	Representative Director and President of Kyushu Sangyo Kotsu Holdings Co., Ltd.		
			Jan. 2020	Director of the Company		
			Jan. 2021	Director and Senior Executive Officer of the Company; In charge of Consolidated Finance and Accounting, Consolidated HR, CS & ES, General Affairs, Corporate Planning Division, CSR, Legal Affairs and Internal Control, and Compliance; Chief Financial Officer (CFO)		
			Apr. 2021	Director and Chairman of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO, LTD. (current)		
			Mar. 2022	President and Chief Operating Officer (COO) of the Company (current)		
Senior Managing Director Inbound Business Strategy	Tatsuya Nakamori	August 4, 1967	Nov. 1986	Joined the company	(Note 3)	29
			Jan. 2010	Director of the Company; In charge of West Japan Area Sales; General Manager of Kansai Area Sales Division		
			Feb. 2014	Director of the Company; In charge of West Japan Area Sales		
			Mar. 2014	Managing Director of the Company; In charge of Airline-related Purchasing/Arrangement, and Online Travel Business		
			Apr. 2014	Managing Director of the Company; In charge of Airline-related Purchasing/Arrangement, and Online Travel Business; General Manager of HQ		
			Nov. 2016	Managing Director of the Company; President of HIS Japan		
			Jan. 2018	Director and Senior Managing Executive Officer of the Company; President of HIS Japan		
			Aug. 2020	Director and Senior Managing Executive Officer of the Company; President of HIS Japan, Chief Digital Officer (CDO)		
			Apr. 2022	Senior Managing Director of the Company Inbound Business Strategy (current) Representative Director and President of Japan Holiday Travel Co., Ltd. (current)		

Title	Name	Date of birth	Career summary	Term of office	Share ownership (thousands of shares)
Managing Executive Officer, Group Strategy, Affiliate Management, M&A	Masayuki Oda	January 1, 1966	Jun. 1996 Joined the company Mar. 2014 Corporate Officer of the Company; General Manager of Kansai Area Sales Division Jan. 2016 Director of the Company; In charge of Kansai, Chugoku, Shikoku, Kyushu Area Sales; In charge of Global Product Marketing; General Manager of Kansai Area Sales Division Nov. 2016 Director of the Company; Vice President of HIS Japan; General Manager of Domestic Travel Division Jan. 2018 Director and Managing Executive Officer of the Company; Vice President of HIS Japan; General Manager of Domestic Travel Division Feb. 2018 Director and Managing Executive Officer of the Company; In charge of Corporate Planning Division, Global Business Strategy Division, and global System Development Division; General Manager of Affiliate Management Division Nov. 2018 Director and Managing Executive Officer of the Company; In charge of Corporate Planning Division and Global Business Strategy Division; General Manager of Affiliate Management Division May. 2019 Director and Managing Executive Officer of the Company; In charge of Corporate Planning Division, Affiliate Management Division, HQ HR Division, CS & ES, General Affairs, and CSR; General Manager of Global Business Strategy Division Jan. 2021 Director and Managing Executive Officer of the Company; In charge of Affiliate Management Division and Online Experience Division; General Manager of Global Business Strategy Division Apr. 2022 Managing Director of the Company; In charge of Group Strategy, Affiliates, and M&A (current)	(Note 3)	8
Director and Senior Executive Managing Officer, Corporate Business Headquarters	Atsushi Yamanobe	March 18, 1970	Apr. 1993 Joined the company Mar. 2014 Corporate Officer of the Company; Manager of Kanto Sales Division; Manager of Kanto Web Business Division; Manager of Kanto Corporate Sales and Group Travel Division Jan. 2016 Director of the Company; In charge of East Japan Area Sales; General Manager of Kanto Area - Overseas Travel Division Nov. 2016 Director of the Company; Vice President of HIS Japan; General Manager of Kansai Area Sales Division Jan. 2018 Director and Senior Executive Officer of the Company; Vice President of HIS Japan; General Manager of Kansai Area Sales Division Mar. 2018 Director and Senior Executive Officer of the Company; Vice President of HIS Japan; General Manager of Corporate Travel Sales Division Nov. 2019 Director and Senior Executive Officer of the Company; Vice President of HIS Japan; General Manager of Corporate Sales Division Apr. 2022 Director and Senior Executive Officer of the Company; General Manager of Corporate Sales Division; In charge of New Business Strategy Oct. 2022 Director and Senior Executive Officer of the Company; General Manager of Corporate Sales Division (current)	(Note 3)	8
Director and Senior Executive Officer; In charge of New Business Strategy	Mutsumi Gomi	June 6, 1968	Apr. 1992 Joined the company May. 2010 Manager of East Japan FIT Department Sep. 2012 Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; Head of Jakarta Central Branch Jan. 2016 Corporate Officer of the Company; Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; Head of Jakarta Central Branch Dec. 2017 Corporate Officer of the Company; Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; General Manager of Southeast Asia Central Sales Division & Head of Jakarta Central Branch Jan. 2018 Director and Senior Executive Officer of the Company; Seconded to PT. HARUM INDAH SARI TOURS & TRAVEL, President and Director; General Manager of Southeast Asia Central Sales Division & Head of Jakarta Central Branch Nov. 2018 Director and Senior Executive Officer of the Company; Chief Information Officer (CIO); In charge of Southeast and South Asia Apr. 2020 Director and Senior Executive Officer of the Company; In charge of Southeast and South Asia Oct. 2022 Director and Senior Executive Officer of the Company; In charge of New Business Strategy (current)	(Note 3)	7

Title	Name	Date of birth	Career summary		Term of office	Share ownership (thousands of shares)
Director and Senior Executive Officer; In charge of Domestic Travel Business Strategy; General Manager of Investment Strategy Division (Note 2)	Hidetaka Sawada	November 2, 1981	Apr. 2005 Jun. 2006 Sep. 2006 Feb. 2012 Jul. 2016 Jan. 2019 Jan. 2020 Apr. 2022 Nov. 2022	Joined Nikko Cordial Securities Inc. (currently SMBC Nikko Securities Inc.) Director of Sawada Holdings Co., Ltd. (currently HS Holdings Co., Ltd.) Director of H.S. Securities Co., Ltd. (currently J Trust Global Securities Co., Ltd.) Representative Director and President of Bestone.cor Co., Ltd. (current) Representative Director and President of Fivestar Cruise Co., Ltd. (current) Representative Director of Ebisu Ryokan K.K. (current) Director of the Company Director and Senior Executive Officer of the Company; In charge of Domestic Travel Business Strategy Representative Director and Chairman of Bestone.cor Co., Ltd. (current) Director and Senior Executive Officer of the Company; In charge of Domestic Travel Business Strategy; Head of Investment Strategy Division (current)	(Note 3)	654
Outside Director	Junko Owada	August 31, 1965	Apr. 1989 Aug. 2001 Apr. 2009 Apr. 2013 Jul. 2016 Apr. 2017 Jun. 2020 May. 2021 Jan. 2023	Joined Nippon Telegraph and Telephone Corporation (currently NTT Communications Corporation) Recruit Group Co., Ltd., HR Measurement Institute Executive Officer, Recruit Management Solutions Co., Ltd. Executive Officer, Recruit Career Co., Ltd. Fellow, Recruit Career Co., Ltd. Advisor, Tokyo Ichiban Foods Co., Ltd. (current) Professional Contract, HR, Hitachi, Ltd. (current) Outside Director, ARBEIT-TIMES CO., LTD. (current) Outside Director, AEON MALL Co., Ltd. (current) Outside Director of the Company (current)	(Note 3)	—
Outside Director	Shingo Kagawa	March 8, 1958	Apr. 1981 Apr. 2012 Apr. 2015 Apr. 2016 Apr. 2018 May. 2020 Oct. 2020 Oct. 2021 May. 2022 Jan. 2023	Joined Fujitsu Limited Executive Officer, General Manager of Network Service Business Division, and General Manager of Video Network Service Business Division, Fujitsu Limited Managing Executive Officer, Deputy General Manager of Integration Service Division, Fujitsu Limited Senior Managing Executive Officer/CTO, General Manager of Digital Services Division, Fujitsu Limited President and Representative Director, Fujitsu Research Institute Outside Director, Furuno Electric Co., Ltd. (current) President and Representative Director, DigiIT Co., Ltd. (currently SS Technologies Co., Ltd.) Director and Chairman, SS Technologies Co., Ltd. Outside Director, MINISTOP Co., Ltd. (current) Outside Director of the Company (current)	(Note 3)	—
Outside Director	Hiroto Kaneko	February 26, 1957	Apr. 1980 Mar. 1983 Jun. 1988 Sep. 1999 Jul. 2000 Jun. 2005 Jul. 2010 Jul. 2015 Jul. 2021 Mar. 2022 Jan. 2023	Joined Arthur Andersen Accounting Office (currently KPMG AZSA LLC) Registered as a certified public accountant Seconded to Arthur Andersen Germany Duesseldorf Office Partner, Arthur Andersen (currently KPMG) Representative Partner, Asahi Audit Corporation (currently KPMG AZSA LLC) Deputy General Manager, IFRS Division, KPMG AZSA LLC Director, Headquarters, KPMG AZSA LLC Managing Director, KPMG AZSA LLC Director, Hiroto Kaneko Certified Public Accountant Office (current) Outside Director and Audit and Supervisory Committee Member of Doctorbook INC. (current) Outside Director of the Company (current)	(Note 3)	—

Title	Name	Date of birth	Career summary	Term of office	Share ownership (thousands of shares)
Outside Director and Audit and Supervisory Committee Member (Note 1)	Tsunekazu Umeda	August 22, 1945	Mar. 1974 Registered as a certified public accountant Sep. 1987 Partner, Arthur Andersen and Company; Representative partner, Eiwa Audit Corporation (currently KPMG AZSA LLC) Apr. 1995 Director, Umeda Certified Public Accountant Office (current) Jun. 1995 Director and Executive Vice President, Nippon Kaiheiki Kogyou (currently NKK Switches Co., Ltd.) Jan. 1999 External Corporate Auditor of the Company Jun. 2000 External Corporate Auditor, HABA Laboratories, Inc. Jun. 2000 External Corporate Auditor, TOMY Company, Ltd. (currently TOMY Company, Ltd.) Jun. 2007 External Corporate Auditor, Sawada Holdings Co., Ltd. Jun. 2010 Outside Director, SUZUDEN CORPORATION Jun. 2015 Director serving as Audit & Supervisory Committee Member (independent outside director), HABA Laboratories, Inc. (current) Jan. 2016 Director serving as Audit & Supervisory Committee Member (independent outside director) of the Company (current) Jun. 2019 Outside Director, ESTELLE HOLDINGS CO., LTD. (current)	(Note 4)	21
Outside Director and Audit and Supervisory Committee Member (Note 1)	Atsushi Nabeshima	August 2, 1946	Jul. 1969 Joined Tokio Marine & Fire Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.) Jul. 1995 Director, General Manager of Operation Department, Tokio Marine Medical Service Co., Ltd. Jul. 2001 Compliance Officer, Tokio Marine Anshin Life Insurance Co., Ltd. Jun. 2003 Director, HABA Laboratories, Inc.; In charge of Product Development and Medical-related Business Jan. 2007 Director, HABA Laboratories, Inc.; In charge of General Affairs, Human Resources, and Accounting Dec. 2007 Representative Director and President, Shinshu Pharmaceutical, Inc. Jun. 2019 Executive Director, Showa Kaikan Jan. 2021 Director serving as Audit & Supervisory Committee Member (independent outside director) of the Company (current) Jun. 2021 Director General, Showa Kaikan (current)	(Note 4)	—
Director and Full-time Audit and Supervisory Committee Member	Sonoko Sekita	July 23, 1965	Feb. 1988 Joined the company May. 2000 Assistant Manager, Accounting Department, Kanto Area Sales Division Apr. 2008 Accounting Group Leader, HQ Accounting Division Dec. 2012 Seconded to H.I.S. MANAGEMENT SERVICES SDN.BHD. as Director and Manager of Accounting Jan. 2015 Full-time Corporate Auditor of the Company Jan. 2016 Director serving as Full-time Audit & Supervisory Committee Member of the Company (current)	(Note 4)	25
Total					18,707

(Notes) 1. Directors Junko Owada, Shingo Kagawa and Hiroto Kaneko, and Director, Audit and Supervisory Committee Members Tsunekazu Umeda and Atsushi Nabeshima are Outside Directors.
2. Relative within the second degree of kinship of Representative Director, Chairman and President Hideo Sawada.
3. Term of office extends until the conclusion of the General Meeting of Shareholders for the last business year within one year from the conclusion of the General Meeting of Shareholders held on January 26, 2023.
4. Term of office extends until the conclusion of the General Meeting of Shareholders for the last business year within two years from the conclusion of the General Meeting of Shareholders held on January 27, 2022.
5. At the meeting of the Board of Directors held on January 26, 2023, a resolution was passed for the following change of Representative Director dated February 1, 2023.

Position	Name
Director Top Adviser	Hideo Sawada
Representative Director and President (CEO)	Motoshi Yada

6． The Company has instituted a corporate officer system with the aim of enhancing the business execution structure. Names and positions of Executive Officers (excluding Executive Officers who concurrently serve as Director) are as follows.

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

At the meeting of the Board of Directors held on January 4, 2023, a resolution was passed to change the appointment of Executive Officers as follows, dated February 1, 2023.

Position		Name
Corporate Officer	General Manager of HQ Accounting & Finance Division (newly established)	Osamu Hanazaki
Corporate Officer	Director and Executive Officer in charge of Accounting and Finance at H.S. Insurance Co., Ltd. and General Manager of Accounting & Finance Department	Yuka Kataoka

② Views on the number and appointment status of Outside Directors; standards and policies regarding independence of Outside Directors

a) Views on the number and appointment status of Outside Directors

At present, the Company has five independent outside Directors, two of whom have been appointed as Audit & Supervisory Committee Members (Directors serving as Audit & Supervisory Committee Members). In addition, the Company has appointed three Outside Directors not serving as Audit & Supervisory Committee Members.

Outside Director and Audit & Supervisory Committee Member Tsunekazu Umeda, formerly a partner at Arthur Andersen and Company, representative partner of Eiwa Audit Corporation (currently KPMG AZSA LLC), and founder of the Umeda Certified Public Accountant Office, possesses a wealth of experience and knowledge as a certified public accountant regarding finance and accounting. In addition to being involved in corporate management, Mr. Umeda has experience with the Company as an external corporate auditor under the Board of Corporate Auditors structure, and continues to supervise the Company's management based on his accumulated experiences, knowledge, and insight from an independent and objective perspective, fulfilling his duties as a member of the Audit & Supervisory Committee.

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

Outside Director Junko Owada was appointed on January 26, 2023. At Nippon Telegraph and Telephone Corporation (currently NTT Communications Corporation), she has worked in the Corporate Planning Department, a branch office Public Relations Department, the International Department at Headquarters, the Human Resources Department, and elsewhere. She has accumulated a wide range of experience, and has deep knowledge of personnel recruitment education and IT, having been involved in work including system development that handles HR solutions at Recruit. She has been appointed as an Outside Director because such experience and achievements are expected to contribute to the decision-making of the Board of Directors of the Company, as well as to the expansion of the business domain and global development of the Group, as well as the sustainable growth and enhancement of corporate value.

Outside Director Shingo Kagawa was appointed on January 26, 2023. He has promoted network and digital services at Fujitsu Limited for many years, and has deep knowledge of ICT (Information and Communication Technology) and DX (Digital Transformation). He has also participated in the management of Fujitsu Research Institute as a representative director, and has a wealth of experience and insight as a manager. He has been appointed as an Outside Director because such experience and achievements are expected to contribute to the decision-making of the Board of Directors of the Company, as well as to the expansion of the business domain and global development of the Group, as well as the sustainable growth and enhancement of corporate value.

Outside Director Hiroto Kaneko, who was appointed on January 26, 2023, has cultivated a global perspective at Arthur Andersen Accounting Firm and has a wealth of experience and a high level of knowledge regarding corporate issues, having worked for many years as a Certified Public Accountant. He has also participated in management as a member of corporate management and has expertise as a manager. He has been appointed as an Outside Director because such experience and achievements are expected to contribute to the decision-making of the Board of Directors of the Company, as well as to the expansion of the business domain and global development of the Group, as well as the sustainable growth and enhancement of corporate value.

The Company's current Outside Directors both satisfy the independence requirement stipulated by the Tokyo Stock Exchange (TSE) provision on independent directors. With the consent of the principals, the Company designated them as independent directors and submitted an Independent Director Notification to the TSE.

b) Details on standards and policies regarding independence of Outside Directors

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

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

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

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

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

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

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

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

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

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

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

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

③ Status of cooperation between Outside Directors and Internal Audit Division

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

④ Personal, capital, and trade relationships or other interests between Outside Directors and the Company

a) Relationship of interest between Tsunekazu Umeda and the Company

There are no personal, capital, or trade relationship, or other interests between Tsunekazu Umeda and the Company.

The status of Company shareholdings by Tsunekazu Umeda is listed under "① Status of Directors and other officers."

b) Relationship of interest between Atsushi Nabeshima and the Company

There are no personal, capital, or trade relationship, or other interests between Atsushi Nabeshima and the Company.

The status of Company shareholdings by Atsushi Nabeshima is listed under "① Status of Directors and other officers."

c) Relationship of interest between Junko Owada and the Company

There are no personal, capital, or trade relationship, or other interests between Junko Owada and the Company.

The status of Company shareholdings by Junko Owada is listed under "① Status of Directors and other officers."

d) Relationship of interest between Shingo Kagawa and the Company

There are no personal, capital, or trade relationship, or other interests between Shingo Kagawa and the Company.

The status of Company shareholdings by Shingo Kagawa is listed under "① Status of Directors and other officers."

e) Relationship of interest between Hiroto Kaneko and the Company

There are no personal, capital, or trade relationship, or other interests between Hiroto Kaneko and the Company.

The status of Company shareholdings by hiroto Kaneko is listed under "① Status of Directors and other officers."

(3) Status of audits

① Audit & Supervisory Committee

(I) Audit & Supervisory Committee organization and personnel

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

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

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

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

(II) Overview of Audit & Supervisory Committee meetings

The Audit & Supervisory Committee holds a regular monthly meeting that lasts 60 minutes on average, and extraordinary meetings whenever necessary. In the current fiscal year, all members attended the meetings held during their term of office.

	Number of meetings	Attendance rate during term of office
Sonoko Sekita (Full-time, Appointed Audit & Supervisory Committee Member)	16	100%
Tsunekazu Umeda (Appointed Audit & Supervisory Committee Member)	16	100%
Atsushi Nabeshima (Appointed Audit & Supervisory Committee Member)	16	100%

[Main points deliberated by the Audit & Supervisory Committee in the current fiscal year]
(Including important matters related to the current consolidated fiscal year)

- Voting on year-end proposals related to personnel affairs and remuneration
- Receipt of audit report, etc. from the accounting auditor
- Evaluation of the accounting auditor, and examination of remuneration
- Receipt and audit of financial results report, approval of business report, preparation and filing of audit report
- Audit of preparation and implementation of General and Extraordinary Meetings of Shareholders
- Formulation of yearly audit plan at the beginning of the fiscal year, and PDCA
- Interviews with Directors, Executive Officers, General Managers, etc., or sharing of reports on such initiatives by Appointed Audit & Supervisory Committee Members
- Exchanges of opinion with the Representative Director
- Deliberations on key audit matters (KAMs) with the accounting auditor
- Examination of items to evaluate Board of Directors effectiveness, and evaluation of results
- Evaluation of state of progress of the Group Governance Enhancement Project
- Questionnaire regarding actual situation of the Group Auditor Liaison Committee
- Evaluation of effectiveness of Audit & Supervisory Committee, and examination of issues to be addressed in the next fiscal year

(III) Audit procedures, etc.

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

The Full-time Audit & Supervisory Committee Member participates in key meetings, including at Group companies, and orally reports findings from interviews with Executive Directors, Executive Officers, General Managers, etc., as well as audit results, at regular meetings of the Audit & Supervisory Committee. In addition, the Member promptly shares information with Outside Directors via email or other means as necessary, and examines measures to resolve issues. Through such activities, the Audit & Supervisory Committee audits the daily execution of duties by Directors.

[Main audit activities]

Activity type	Items/description	Main important issues raised, etc.
Participation in important meetings	Meeting of heads of various major businesses	Explanation of operating policies, etc.
	Weekly meetings with full-time Directors and Executive Officers	Reporting on progress by business, sharing of issues
	Annual groupwide meeting	Annual report, sharing of next-year plan and strategy
Exchange of opinions with Directors, Executive Officers, General Managers, etc.	Progress with annual plan Initiatives related to management challenges Execution of duties by Directors and Executive Officers, etc.	Achievement probability versus plan, causes for shortfalls against targets, and reflection and improvement; decision-making processes related to effectiveness and midway changes to plan; initiatives to resolve isolated or systematic issues, etc.
Interviews with subsidiaries and associates	Market environment, and progress with annual and medium-term plans Initiatives related to management challenges Requests to the headquarters, etc.	
Meeting with the Audit Department	Examination of internal audit plans, and receipt of implementation report Progress with special investigations, receipt of findings, examinations of problems, etc.	Initiatives to improve audit effectiveness Support for business types that are expanding
Meetings with the Internal Control Office	Report on progress with J-SOX compliance, report of annual achievements, etc.	Initiatives to improve schedule, etc.
Meeting with ES Management Division	Confirmation of status of internal reporting and consultations, receipt of reports on improvement efforts, etc.	Relative and fundamental improvement initiatives to address issues learned from internal reports or consultation
Meeting with the accounting auditor	Audit reports for quarterly financial results, key audit matter (KAM) deliberations Audit reports for annual financial results Attending accounting auditor’s interviews with Directors	Support for first year of KAM application, identification of designated risks, response to problems that have emerged, etc.
Viewing of important documents	Viewing of approval requests and contracts to confirm matters resulting from approval of requests and content of major contracts	Evaluation whether atypical approval documents and decision processes are appropriate, and whether follow-up after execution is appropriate
Year-end audit procedure	Interview with Accounting Division regarding financial statements Receipt of reports from accounting auditor and examination of content Examination of explanation of business reports by related divisions	Confirmation of degree of awareness of problems and abnormalities; evaluation of whether measures to resolve problems are appropriate; evaluation of whether disclosure method and phrasing is adequate or appropriate

② Internal audit

(I) Internal audit organization, personnel, and procedures

Internal auditing of Company divisions and Group company operations (including internal control auditing) is conducted regularly based on internal auditing rules, internal auditing conduct standards, and annual auditing plans by the Audit Department (seven members) under direct supervision of the Representative Director, Chairman and President.

The Audit Department provides recommendations regarding auditing results and improvements, reporting to the Representative Director, Chairman and President, relevant Directors, responsible personnel in corresponding departments and divisions, and the Audit & Supervisory Committee. Under close cooperation with the Audit & Supervisory Committee (and occasionally by receiving instructions), the Audit Department plays a significant role in the Audit & Supervisory Committee’ s systematic auditing efforts utilizing the internal control system.

(II) Mutual cooperation among internal audit, audit by the Audit & Supervisory Committee, and accounting audit, and their relationship to the Internal Control Division

As the audit by the Audit & Supervisory Committee is basically a systematic auditing utilizing the internal control system, please refer to the above “① Audit & Supervisory Committee” and “(I) Internal audit organization, personnel, and procedures” sections in regard to mutual cooperation among internal audit, audit by the Audit & Supervisory Committee, and accounting audit, and their relationship to the Internal Control Division. As the Company’ s two Outside Directors are Directors serving as Audit & Supervisory Committee Members, please also refer to the “③ Status of cooperation between Outside Directors and Internal Audit Division” section under “(2) Directors and other officers.”

③ Accounting audit

(I) Name of accounting auditor
Deloitte Touche Tohmatsu LLC

(II) Continuous audit period
22 years

(III) Certified public accountants who conducted the accounting audit
Designated Limited Liability Partners and Engagement Partners: Koichi Kuse, Takuya Inoue

(IV) Accounting audit assistant composition:
13 certified public accountants, 4 assistant certified public accountants, etc., and 22 others

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

(VI) Evaluation of accounting auditor by the Audit & Supervisory Committee
The Audit & Supervisory Committee of the Company conducts annual evaluations of the accounting auditor using the following procedure.

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

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

④ Fees paid to auditing certified public accountants, etc.

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

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Fees for audit and attestation (millions of yen)	Fees for non-audit services (millions of yen)	Fees for audit and attestation (millions of yen)	Fees for non-audit services (millions of yen)
Filing Company	131	6	204	—
Consolidated subsidiaries	109	8	104	—
Total	241	15	308	—

(Previous consolidated fiscal year)
Non-audit services rendered to the Company were advisory and other services in relation to the application of new accounting standards for revenue recognition.
(Current consolidated fiscal year)
There are no applicable matters to report.

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

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Fees for audit and attestation (millions of yen)	Fees for non-audit services (millions of yen)	Fees for audit and attestation (millions of yen)	Fees for non-audit services (millions of yen)
Filing Company	—	2	—	0
Consolidated subsidiaries	112	29	140	5
Total	112	31	140	6

(Previous consolidated fiscal year)
Non-audit services rendered to the Company and its consolidated subsidiaries were tax-related services and advisory services related to corporate reorganization.
(Current consolidated fiscal year)
The content of non-audit services at the Company and its consolidated subsidiaries includes tax advice and guidance.

(III) Details of other significant fees for audit certification
(Previous consolidated fiscal year)
There are no applicable matters to report.

(Current consolidated fiscal year)
There are no applicable matters to report.

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

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

(4) Executive remuneration, etc.

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

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

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

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

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

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

[Remuneration policy]

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

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

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

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

[Remuneration structure]

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

[Remuneration levels]

To ensure objectiveness and transparency of the decision-making process, the remuneration structure and levels for Directors and Executive Officers are determined by a resolution of the Board of Directors following a review by the Remuneration Committee.

[Remuneration composition]

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

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

In determining matters involving remuneration, etc. for individual Directors, the Remuneration Committee has conducted extensive deliberations, including on whether the remuneration is consistent with the determination policy, and these matters have been deliberated and determined in the meetings of the Board of Directors.

As a result, the Board of Directors has also determined that the remuneration is in line with the determination policy. However, the Remuneration Committee has not followed the basic policy above to make its determination because earnings performance has been significantly affected by the global COVID-19 pandemic.

② Executive remuneration, etc.

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

Officer category	Total amount of remuneration (millions of yen)	Total amount by type of remuneration (millions of yen)					Number of eligible officers
		Non-current remuneration	Performance-linked remuneration	Special support fund	Stock option	Restricted stock compensation	
Director (excluding Audit & Supervisory Committee Members) (excluding Outside Directors)	115	84	—	5	2	23	7
Director (Audit & Supervisory Committee Members) (excluding Outside Directors)	9	8	—	1	—	—	1
Outside Director (Audit & Supervisory Committee Members)	9	9	—	—	—	—	2

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

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

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

4. The stock options and restricted stock compensation, which are both non-monetary forms of remuneration, are described in "① Matters related to remuneration amounts, etc. for officers and policy for determining calculation method for such amounts."

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

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

(5) Information on shareholdings

(I) Criteria for shareholding classification and rationale

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

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

There are no applicable matters to report.

(III) Investment securities held solely for pure investment

Category	Current fiscal year		Previous fiscal year	
	Number of issues (issues)	Total amount on balance sheet (millions of yen)	Number of issues (issues)	Total amount on balance sheet (millions of yen)
Unlisted stocks	17	1,245	9	487
Stocks other than the above	—	—	—	—

Category	Current fiscal year		
	Total dividend income (millions of yen)	Total gains (losses) on sale (millions of yen)	Total gains (losses) on valuation (millions of yen)
Unlisted stocks	—	—	△64
Stocks other than the above	—	—	—

V. Financial Information

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

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

(2) The Company's non-consolidated financial statements are prepared in conformity with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Non-consolidated Financial Statements (Ministry of Finance Regulation No. 59, 1963) (hereinafter, the "Regulations on Non-consolidated Financial Statements.")
As a company designated for the submission of non-consolidated financial statements prepared in accordance with special provision, the Company prepares its non-consolidated financial statements pursuant to Article 127 of the Regulations on Non-consolidated Financial Statements.

2. Independent auditing of financial statements

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law, the Company arranged for the auditing firm Deloitte Touche Tohmatsu LLC to conduct independent audits of the consolidated (November 1, 2021 to October 31, 2022). and nonconsolidated financial accounts of the Company for the current consolidated fiscal year (November 1, 2021 to October 31, 2022).

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

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

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

① Consolidated Balance Sheet

(Millions of yen)

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Assets		
Current assets		
Cash and deposits	※3 101,411	※3 144,795
Notes and accounts receivable - trade	16,718	—
Notes and accounts receivable - trade, and contract assets	—	※1 11,538
Trade accounts receivable	171	298
Securities	11	212
Travel advance payments	8,927	6,231
Prepaid expenses	2,179	1,724
Short-term loans receivable	3,479	133
Short-term loans receivable from subsidiaries and associates	233	205
Accounts receivable - other	7,536	20,001
Other	5,062	5,721
Allowance for doubtful accounts	(2,234)	(2,370)
Total current assets	143,495	188,493
Non-current assets		
Property, plant and equipment		
Buildings	103,216	93,062
Accumulated depreciation	(19,029)	(16,895)
Buildings, net	※2,※3,※9 84,187	※2,※3,※9 76,166
Tools, furniture and fixtures	23,539	12,142
Accumulated depreciation	(12,989)	(9,444)
Tools, furniture and fixtures, net	※9 10,549	※9 2,697
Land	※2,※3,※5 75,485	※2,※3,※5 70,975
Leased assets	25,753	27,978
Accumulated depreciation	(12,621)	(15,576)
Leased assets, net	13,132	12,401
Construction in progress	11,101	6,306
Other	19,077	10,036
Accumulated depreciation	(12,241)	(8,229)
Other, net	※3,※9 6,836	※3,※9 1,807
Total property, plant and equipment	201,291	170,356
Intangible assets		
Goodwill	4,621	2,369
Other	※9 15,486	※9 15,539
Total intangible assets	20,107	17,908
Investments and other assets		
Investment securities	5,716	2,990
Shares of subsidiaries and associates	2,559	2,865
Investments in capital of subsidiaries and associates	77	77
Long-term loans receivable	66	11
Long-term loans receivable from subsidiaries and associates	901	504
Retirement benefit asset	727	671
Deferred tax assets	11,135	6,949
Guarantee deposits	21,896	※3 20,825
Other	4,286	3,805
Allowance for doubtful accounts	(1,105)	(694)
Total investments and other assets	46,263	38,009
Total non-current assets	267,662	226,274
Deferred assets	289	217
Total assets	411,447	414,984

(Millions of yen)

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Liabilities		
Current liabilities		
Trade accounts payable	12,978	6,698
Short-term borrowings	※3,※6 28,240	※3,※6 28,555
Current portion of long-term borrowings	※3 4,557	※3 32,156
Accounts payable - other	※3 4,331	※3 17,298
Accrued expenses	4,320	3,999
Income taxes payable	529	310
Accrued consumption taxes	624	711
Travel advance received	14,112	※1 14,256
Lease obligations	2,454	2,646
Provision for bonuses	779	1,293
Provision for bonuses for directors (and other officers)	25	51
Other	14,299	※1 20,590
Total current liabilities	87,254	128,569
Non-current liabilities		
Bonds payable	※8 20,000	※8 20,000
Convertible bond-type bonds with share acquisition rights	※8 25,054	※8 25,036
Long-term borrowings	※2,※3,※7 184,643	※2,※3,※7 156,727
Deferred tax liabilities	※5 4,982	※5 4,963
Retirement benefit liability	7,659	6,234
Provision for retirement benefits for directors (and other officers)	393	445
Lease obligations	12,410	11,635
Other	4,902	※1 4,734
Total non-current liabilities	260,047	229,778
Total liabilities	347,301	358,348
Net assets		
Shareholder’s equity		
Share capital	21,048	100
Capital surplus	13,328	28,498
Retained earnings	22,275	26,327
Treasury shares	(15,004)	(14,972)
Total shareholders’ equity	41,647	39,954
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	713	230
Deferred gains and losses on hedges	7	8
Foreign currency translation adjustment	(1,859)	7,085
Remeasurements of defined benefit plans	118	141
Total accumulated other comprehensive income	(1,020)	7,466
Share acquisition rights	158	399
Non-controlling interests	23,360	8,815
Total net assets	64,145	56,636
Total liabilities and net assets	411,447	414,984

② Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Previous consolidated fiscal year (From November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
Net sales	118,563	※1 142,794
Cost of sales	111,040	114,536
Gross profit	7,522	28,257
Selling, general and administrative expenses	※2 71,581	※2 76,192
Operating profit (loss)	(64,058)	(47,934)
Non-operating income		
Interest income	755	263
Foreign exchange gains	1,134	892
Subsidy income	826	556
Other	1,822	1,416
Total non-operating income	4,538	3,129
Non-operating expenses		
Interest expenses	1,175	2,000
Other	2,604	2,195
Total non-operating expenses	3,779	4,196
Ordinary profit (loss)	(63,299)	(49,001)
Extraordinary income		
Gain on sale of non-current assets	※3 1,613	※3 1,393
Gain on sale of investment securities	988	1,446
Gain on sale of shares of subsidiaries and associates	394	※4 40,842
Subsidy income	※5 17,770	※5 10,860
Total extraordinary income	20,766	54,543
Extraordinary losses		
Impairment losses	※6 2,459	※6 4,022
Loss on valuation of investment securities	1,595	―
Loss on valuation of shares of subsidiaries and associates	377	―
Loss on sale of shares of subsidiaries and associates	―	※7 8,405
Losses from downtime	※8 3,548	※8 1,336
Business restructuring expenses	※9 493	―
Total extraordinary losses	8,475	13,764
Profit (loss) before income taxes	(51,008)	(8,222)
Income taxes - current	411	1,084
Income taxes - deferred	1,823	1,748
Total income taxes	2,234	2,833
Profit (loss)	(53,242)	(11,056)
Profit (loss) attributable to non-controlling interests	(3,192)	(1,508)
Profit (loss) attributable to owners of parent	(50,050)	(9,547)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
Profit (loss)	(53,242)	(11,056)
Other comprehensive income		
Valuation difference on available-for-sale securities	116	(482)
Deferred gains and losses on hedges	(0)	1
Foreign currency translation adjustment	4,556	9,066
Remeasurements of defined benefit plans	69	1
Share of other comprehensive income of entities accounted for using equity method	70	44
Total other comprehensive income	※ 4,812	※ 8,631
Comprehensive income	(48,430)	(2,424)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(45,550)	(1,059)
Comprehensive income attributable to non-controlling interests	(2,879)	(1,364)

③ Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,000	7,450	72,222	(15,204)	79,468
Cumulative effect of changes in accounting policies					—
Related balance	15,000	7,450	72,222	(15,204)	79,468
Changes during period					
Issuance of new shares	6,048	6,048			12,097
Capital reduction					—
Deficit disposition					—
Profit (loss) attributable to owners of parent			(50,050)		(50,050)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(9)	200	190
Changes in scope of consolidation					—
Purchase of treasury shares of consolidated subsidiaries		(0)			(0)
Capital increase of consolidated subsidiaries					—
Change in ownership interest of parent due to transactions under common control		(170)	112		(58)
Net changes in items other than shareholders' equity					
Total changes during period	6,048	5,877	(49,947)	200	(37,821)
Balance at end of period	21,048	13,328	22,275	(15,004)	41,647

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	597	7	(6,157)	32	(5,519)	178	24,294	98,421
Cumulative effect of changes in accounting policies								—
Related balance	597	7	(6,157)	32	(5,519)	178	24,294	98,421
Changes during period								
Issuance of new shares								12,097
Capital reduction								—
Deficit disposition								—
Profit (loss) attributable to owners of parent								(50,050)
Purchase of treasury shares								(0)
Disposal of treasury shares								190
Changes in the scope of consolidation								—
Purchase of treasury shares of consolidated subsidiaries								(0)
Capital increase of consolidated subsidiaries								—
Change in ownership interest of parent due to transactions under common control								(58)
Net changes in items other than shareholders' equity	116	(0)	4,298	85	4,499	(20)	(934)	3,545
Total changes during period	116	(0)	4,298	85	4,499	(20)	(934)	(34,275)
Balance at end of period	713	7	(1,859)	118	(1,020)	158	23,360	64,145

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

(Millions of yen)

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

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

④ Consolidated Statements of Cash Flows

(Millions of yen)

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(51,008)	(8,222)
Depreciation	12,593	12,487
Impairment losses	2,459	4,022
Amortization of goodwill	817	686
Increase (decrease) in provision for bonuses	(272)	613
Increase (decrease) in provision for bonuses for directors (and other officers)	1	23
Increase (decrease) in retirement benefit liability	(317)	(76)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	12	47
Interest and dividend income	(847)	(510)
Foreign exchange losses (gains)	(1,077)	(227)
Interest expenses	1,175	2,000
Loss (gain) on sales of property, plant and equipment	(1,596)	(1,393)
Loss (gain) on sale of investment securities	(988)	(1,446)
Loss (gain) on sale of shares of subsidiaries and associates	(394)	(32,437)
Other loss (gain)	3,693	61
Decrease (increase) in trade receivables	(578)	—
Decrease (increase) in trade receivables and contract assets	—	(1,921)
Decrease (increase) in travel advance payments	(1,119)	3,475
Decrease (increase) in other assets	8,483	(8,345)
Decrease (increase) in trade payables	3,673	(3,838)
Decrease (increase) in accrued consumption taxes	27	684
Decrease (increase) in accrued expenses	1	(345)
Decrease (increase) in travel advances received	(620)	(1,298)
Decrease (increase) in other liabilities	(1,951)	22,757
Subtotal	(27,833)	(13,204)
Interest and dividends received	1,044	679
Interest paid	(1,237)	(1,930)
Income taxes refunded (paid)	(370)	(459)
Net cash provided by (used in) operating activities	(28,397)	(14,915)

(Millions of yen)

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
Cash flows from investing activities		
Payments into time deposits	(15,606)	(12,001)
Proceeds from withdrawal of time deposits	17,810	19,442
Purchase of securities	(116)	(0)
Proceeds from redemption of securities	104	―
Purchase of property, plant and equipment and intangible assets	(16,567)	(8,912)
Proceeds from sales of property, plant and equipment and intangible assets	8,515	10,931
Purchase of investment securities	(318)	(1,061)
Proceeds from sale of investment securities	823	2,809
Proceeds from redemption of investment securities	4,157	1,281
Purchase of shares of subsidiaries and associates	(144)	(963)
Proceeds from sale of shares of subsidiaries and associates	166	―
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(384)	―
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	―	(2,032)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	228	※2 39,847
Loan advances	(72)	(40)
Collection of loans receivable	686	3,909
Payments for guarantee deposits	(13,232)	(777)
Proceeds from refund of guarantee deposits	2,163	1,005
Other	4,692	85
Net cash provided by (used in) investing activities	(7,095)	53,520
Cash flows from financing activities		
Proceeds from short-term borrowings	72,818	111,262
Repayments of short-term borrowings	(71,469)	(113,922)
Proceeds from long-term borrowings	39,465	4,255
Repayments of long-term borrowings	(1,693)	(1,570)
Dividends paid to non-controlling interests	(9)	(44)
Purchase of treasury shares	(0)	(0)
Proceeds from issuance of shares	11,994	7,500
Proceeds from share issuance to non-controlling shareholders	2,065	150
Proceeds from issuance of share acquisition rights	―	165
Redemption of bonds	(10,000)	―
Other	(2,458)	(2,337)
Net cash provided by (used in) financing activities	40,711	5,458
Effect of exchange rate change on cash and cash equivalents	2,415	4,680
Net increase (decrease) in cash and cash equivalents	7,633	48,744
Cash and cash equivalents at beginning of period	80,445	88,079
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	―	115
Cash and cash equivalents at end of period	※1 88,079	※1 136,939

[Notes]

[Significant matters that serve as the basis for preparation of the consolidated financial statements]

1. Scope of consolidation

(1) Consolidated subsidiaries

The consolidated financial statements include the accounts of 132 subsidiaries of the Company. The names of principal subsidiaries are listed in the "3. Description of Business" section of "I. Overview of the Company, Part I Information on the Company."

From the current consolidated fiscal year, Vison Hotel Management Co., Ltd. was added to the scope of consolidation through share acquisitions.

Consolidated subsidiaries Ipec Developments Limited and three other companies were removed from the scope of consolidation as a result of the completion of liquidation proceedings.

HTB Energy Co., Ltd., a consolidated subsidiary of the Company, has been excluded from the scope of consolidation due to the sale of all shares.

Huis Ten Bosch, a consolidated subsidiary of the Company, and its two subsidiaries have been excluded from the scope of consolidation due to the sale of all shares in the aforementioned companies.

H.I.S. SUPER Power Co., Ltd., a consolidated subsidiary of the Company, has been excluded from the scope of consolidation due to the sale of all shares.

(2) Non-consolidated subsidiaries

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

H.I.S. Travel Limited

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

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

2. Application of equity method

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

The company applies the equity method to three associates. The names of the principal equity-method associates are listed in the "3. Description of Business" section under "I. Overview of the Company, Part I Information on the Company."

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

The profit/loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. of the 39 non-consolidated subsidiaries and the 16 associates not accounted for by the equity method are of such a level that removing them from the consolidated financial statements has only a negligible effect. Since they are not significant as a whole, they are excluded from the scope of equity-method applicable companies. The principal subsidiary in this category is listed below.

[Subsidiary]

H.I.S. Travel Limited

3. Fiscal years, etc. of consolidated subsidiaries

Overseas consolidated subsidiaries have fiscal years ending on July 31.

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

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

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

4．Accounting policies

(1) Valuation standard and method for significant assets

① Securities

Held-to-maturity securities

…Stated at amortized cost.

Available-for-sale securities

Securities with a determinable fair market value

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

Securities without a determinable fair market value

…Generally stated at cost using the moving average method.

② Derivatives

…Stated at fair market value.

(2) Depreciation method for significant assets

① Property, plant and equipment (excluding leased assets)

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

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

Buildings	2-65 years
Tools, furniture and fixtures	2-33 years

② Intangible assets (excluding leased assets)

…The straight-line method is applied.

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

③ Leased assets

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

(3) Accounting standards for significant provisions

① Allowance for doubtful accounts

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

② Provision for bonuses

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

③ Provision for bonuses for directors (and other officers)

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

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

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

(4) Accounting treatment method for retirement benefits

① Method for period attribution of retirement benefit estimates

…In calculating the projected benefit obligation, the benefit formula standard is used as the basis for attributing projected retirement benefits to the period up to the current consolidated fiscal year.

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

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

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

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

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

① Own company's package tour products

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

② Agent sales of arranged tour, etc.

There is an obligation to make arrangements so that travelers can receive transportation, accommodation and other travel-related services provided by transportation, accommodation and other transport-related facilities, etc. Therefore, revenue is recognized based on the date of completion of arrangements, and as an agency transaction, revenue is recognized as the net amount received from the customer less the amount paid to the supplier.

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

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

(7) Accounting method for significant hedging transactions

① Hedging methods

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

② Hedging instruments and hedged items

a. Hedging instruments: Forward exchange contracts
Hedged items: Foreign currency-denominated accounts receivable, foreign currency-denominated trade accounts payable, foreign currency-denominated arrears

b. Hedging instruments: Interest rate swaps
Hedged items: Borrowings

③ Hedging policy

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

④ Evaluation of hedge effectiveness

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

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

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

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

Goodwill amortization and amortization periods

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

[Significant accounting estimates]

1．Impact of the COVID-19 pandemic

Although it is still unclear when the COVID-19 pandemic situation will return to normal, travel restrictions worldwide are returning to their pre-pandemic state.

In the Travel Business and Hotel Business, domestic travel demand is expected to recover in general in FY2023, and overseas travel demand is expected to recover gradually.

It is also expected that the impact of COVID-19 will be relatively small in other segments that operate mainly in Japan, and that they will recover faster than the Travel Business.

In light of the above, the Group expects its net sales to broadly recover to FY2019 levels in FY2024.

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

2．Recoverability of deferred tax assets

(1) Amount recorded in consolidated financial statements

(Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Deferred tax assets	11,135	6,949

(2) Other information related to estimates

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

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

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

In determining the recoverability of deferred tax assets as of October 31, 2022, the H.I.S. Group has taken into account the impact of the COVID-19 pandemic. It has estimated future taxable income based on the future plans of the Group, which are predicated on key assumptions such as when the pandemic will settle down and the number of travelers at such a time in the future.

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

If actual market conditions, the timing when the pandemic settles down, the number of travelers at such a time, or other factors worsen beyond the estimates of the management of the H.I.S. Group going forward, this may result in a reversal of deferred tax assets, and have an impact on the financial position and management performance of the Group.

3．Impairment of non-current assets

(1) Amount recorded in consolidated financial statements

(Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Property, plant and equipment	201,291	170,356
Intangible assets	20,107	17,908

(2) Other information related to estimates

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

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

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

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

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

In determining whether indications of impairment of non-current assets were present as of October 31, 2022, the H.I.S. Group has taken into account the impact of the COVID-19 pandemic. It has estimated undiscounted future cash flows based on the future plans of the Group, which are predicated on key assumptions such as the timing when the pandemic will settle down and the number of travelers at such a time in the future.

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

If actual market conditions, the timing when the pandemic settles down, the number of travelers at such a time, or other factors worsen beyond the estimates of the management of the H.I.S. Group going forward, this may result in the booking of impairment losses, and have an impact on the financial position and management performance of the Group.

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

(1) Amount recorded in consolidated financial statements

(Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Shares of subsidiaries and associates	2,559	2,865
Investments in capital of subsidiaries and associates	77	77
Short-term loans receivable from subsidiaries and associates	233	205
Long-term loans receivable from subsidiaries and associates	901	504
Allowance for doubtful accounts related to the above	△182	△154

(2) Other information related to estimates

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

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

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

In valuing investments in and loans issued to subsidiaries and associates as of October 31, 2022, the H.I.S. Group has taken into account the impact of the COVID-19 pandemic. It has valued the recoverability of its shareholdings and investments in and its loans receivable issued to subsidiaries and associates based on the future plans of such subsidiaries and associates, which are predicated on key assumptions such as when the pandemic is expected to settle down.

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

If actual market conditions, the timing when the pandemic settles down, or other factors worsen beyond the estimates of the management of the subsidiaries and associates going forward, this may result in the booking of losses by the H.I.S. Group in the form of impairment charges on its shareholdings and investments in such subsidiaries and associates, or allowances for doubtful accounts against loans receivable issued to such subsidiaries and associates, and this may have an impact on the financial position and management performance of the Group.

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

"Goodwill" and "intangible assets (other)" include 2,305 million yen in goodwill and 8,996 million yen in intangible assets recorded with the purchase of overseas subsidiaries affiliated with the Travel Business segment. Intangible assets mainly comprise customer-related assets and trademark rights recorded based on transactional relationships with major customers of overseas subsidiaries.

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

[Changes in accounting policy]

[Accounting Standard for Revenue Recognition]

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan; hereinafter, the “Revenue Recognition Accounting Standard”) has been applied from the beginning of the current consolidated fiscal year, and when control of the promised goods or services is transferred to the customer, revenue will be recognized as the amount expected to be received in exchange for the goods or services. The main changes due to the application of the Revenue Recognition Accounting Standard are as follows.

In sales transactions of travel products, etc., revenue was previously recognized based on the date of departure. However, for arranged tour transactions, the method of recognizing revenue has been changed to recognize revenue based on the date on which arrangements are completed, while for package tours the method of recognizing revenue has been changed to recognize revenue throughout the travel period.

In addition, in arranged tour transactions, the total amount of consideration received from customers was previously recognized as revenue. However, as an agency transaction, the method of recognizing revenue has been changed to recognize net revenue from the amount received from the customer less the amount paid to the supplier.

The application of Revenue Recognition Accounting Standards is in accordance with the transitional measures stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The new accounting policy is applied from the balance at the beginning of the consolidated fiscal year ending October 31, 2022, by adding or subtracting any cumulative impact amount (in case of retroactive application of the new accounting policy before the beginning of the current fiscal year) from retained earnings at the beginning of the current consolidated fiscal year. However, by applying the method stipulated in paragraph 86 of the Revenue Recognition Standards, the new accounting policy is not retroactively applied to contracts for which almost all amounts of revenue were recognized in accordance with the previous policy before the beginning of the current consolidated fiscal year.

As a result, the consolidated balance sheet for the fiscal year ended October 31, 2022 showed decreases of 10,617 million yen in notes and accounts receivable - trade, and contract assets, 12,617 million yen in travel advance payments, 11,565 million yen in trade accounts payable, and 17,703 million yen in travel advance receipts, while there were increases of 10,619 million yen in accounts receivable - other, 11,565 million yen in accounts payable - other, and 4,473 million yen in other current liabilities. The consolidated statement of income for the current consolidated fiscal year shows a decrease in sales of 117,555 million yen, cost of sales of 118,213 million yen, and operating loss, ordinary loss, and current net loss before income taxes of 658 million yen. The balance of retained earnings at the beginning of the period increased by 233 million yen. The impact on net assets per share and loss per share is negligible.

Due to the adoption of Revenue Recognition Accounting Standards, ″Notes and accounts receivable″ as presented in ″Current assets″ in the consolidated balance sheet for the previous consolidated fiscal year has been changed to ″ notes and accounts receivable - trade, and contract assets ″ from the current consolidated fiscal year. In the consolidated statement of cash flows for the previous consolidated fiscal year, ″Decrease (increase) in trade receivables” as presented in “Cash flows from operating activities” has been changed to “Decrease (increase) in trade receivables and contract assets.” In accordance with the transitional measures stipulated in paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous consolidated fiscal year according to the new presentation method.

In accordance with the transitional measures stipulated in paragraph 89-3 of the Accounting Standard for Revenue Recognition, the notes on “Revenue Recognition” related to the previous consolidated fiscal year have not been included.

[Application of Accounting Standard for Fair Value Measurement, etc.]

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan; hereinafter, the “Fair Value Accounting Standards”) has been applied from the beginning of the current consolidated fiscal year, and the new accounting policies stipulated by the Fair Value Accounting Standards are being applied going forwards in accordance with the transitional measures stipulated in paragraph 19 of the Fair Value Accounting Standards and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan).

There is no effect on the consolidated financial statements.

Notes have been added on matters related to the breakdown of fair value of financial instruments by level in the notes section of ″Financial instruments.″ However, in accordance with the transitional measures stipulated in Article 7 paragraph 4 of the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 19 July 4, 2019, Accounting Standards Board of Japan), items related to the previous consolidated fiscal year are not listed.

[Accounting standards not yet applied]

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan)

(1) Overview

The June 17, 2021 revision of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan) revised and newly announced measures considered over a period of approximately one year following the announcement of the Accounting Standard for Fair Value Measurement on July 4, 2019 that it was considered that a certain period of time would be required for consultations with related parties, etc. in consideration of the ″calculation of the fair value of investment trusts,″ as well as a certain amount of consideration of the notes on fair value of ″investments in partnerships, etc. where shares of other comprehensive income of entities are recorded as net amounts.”

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending October 31, 2023.

(3) Impact of application of the aforementioned accounting standards

The impact from the application of the “Implementation Guidance on Accounting Standard for Fair Value Measurement,” on the Company’s consolidated financial statements is currently being evaluated.

[Changes in presentation]

[Consolidated statement of income]

″Share of loss of entities accounted for using equity method″ (30 million yen in the current consolidated fiscal year), which was separately posted as a non-operating expense in the previous consolidated fiscal year, has become negligible in the current consolidated fiscal year. Therefore, it has been included in “Other” under non-operating expenses.

In order to reflect this change in presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, 548 million yen, which was shown as ″Share of loss of entities accounted for using equity method″ under “Non-operating expenses” in the consolidated statement of income for the previous consolidated fiscal year, has been reclassified as “Other.”

In addition, from the current consolidated fiscal year, the method of presenting part of the expenses related to the operation of the Theme Park Business of consolidated subsidiaries, which had previously been presented as “Selling, general and administrative expenses,” has been changed to “Cost of sales.”

This change will take the opportunity of the application of Revenue Recognition Accounting Standards from the beginning of the current consolidated fiscal year to clarify the correlation between expenses and revenues, manage the performance of the Group in a unified manner, and to more appropriately present gross profit and selling, general and administrative expenses.

As a result, compared with conventional methods, the cost of sales for the current consolidated fiscal year increased by 10,174 million yen, and gross profit and selling, general and administrative expenses decreased by the same amount. However, there is no impact on operating loss, ordinary loss, current net loss before income taxes and per share information. If the consolidated statements of income for the fiscal year ended October 31, 2021 were reclassified according to the presentation method after the change, the cost of sales for the fiscal year ended October 31, 2021 increased by 8,860 million yen, and gross profit and selling, general and administrative expenses increased by the same amount. However, there would be no impact on operating loss, ordinary loss, current net loss before income taxes, and per share information.

[Consolidated balance sheet]

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

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

※2. Assets and liabilities recognized as financial transactions

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

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Buildings	7,917 million yen	7,754 million yen
Land	24,445	24,445
Long-term borrowings	32,404	32,404

※3. Pledged assets

Assets pledged as collateral are shown below.

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Cash and deposits	237 million yen	1,171 million yen
Buildings	21,364	20,572
Land	20,621	20,621
Property, plant and equipment (other)	0	0
Guarantee deposits	—	43

Secured liabilities are as shown below.

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Short-term borrowings	3,000 million yen	2,462 million yen
Current portion of long-term borrowings	1,214	1,245
Accounts payable - other	9	306
Long-term borrowings	23,143	21,930

The Company pledged cash and deposits of 446 million yen and long-term deposits of 4 million yen as collateral for bank guarantees in the previous consolidated fiscal year. In the current consolidated fiscal year, it pledged cash and deposits of 548 million yen and long-term deposits as collateral for bank guarantees.

※4. Guarantee obligations

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

Previous consolidated fiscal year (As of October 31, 2021)		Current consolidated fiscal year (As of October 31, 2022)	
FLY HUB TRAVEL PTE. LTD.	1,500 Singapore dollar (126 million yen)	FLY HUB TRAVEL PTE. LTD.	7,000 Singapore dollar (735 million yen)

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

Previous consolidated fiscal year (As of October 31, 2021)		Current consolidated fiscal year (As of October 31, 2022)	
・Guarantee without specified amount		・Guarantee with specified amount	
LY-HIS Co., Ltd.	Payment guarantee for trade payables	H.I.S. SUPER Power Co., Ltd.	720 million yen
FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables	FLY HUB TRAVEL PTE. LTD.	200,000 USD (26 million yen)
		・Guarantee without specified amount	
		LY-HIS Co., Ltd.	Payment guarantee for trade payables
		FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables
		H.I.S. SUPER Power Co., Ltd.	Payment guarantee for foreign exchange futures transactions, etc.

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

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Land	4,513 million yen	4,513 million yen
Deferred tax liabilities	1,678	1,678

※6. Committed credit line agreements

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

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Maximum overdraft and committed credit line limits (total)	44,354 million yen	45,261 million yen
Outstanding borrowings	6,034	7,546
Difference	38,319	37,714

※7. Financial covenants

Syndicated loans

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

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

As of October 31, 2022, there was an infringement of the above financial covenant ②, but constructive discussions have been held with financial institutions participating in syndicated loans (including agents), and close relationships are maintained, so it is anticipated that their support will continue to be received.

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

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Long-term borrowings	34,500 million yen	34,500 million yen

※8. Notable covenants attached to other obligations

(1) Unsecured bonds

Ensure the following two scenarios do not apply.

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

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

The balance of the applicable unsecured bonds is shown below.

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Bonds payable (including current portion)	20,000 million yen	20,000 million yen

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

Ensure the following scenario does not apply.

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

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

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Convertible bond-type bonds with share acquisition rights	25,054 million yen	25,036 million yen

※9. Reduction entries

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

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Buildings	34 million yen	124 million yen
Tools, furniture and fixtures	15	15
Property, plant and equipment (other)	599	599
Intangible assets (other)	1	1
Total	650	740

[Consolidated statement of income]

※1. Income from contracts with customers

For net sales, income generated from contracts with customers and other income are not stated separately.

Income from contracts with customers is described in "V. Financial Information, 1. Consolidated Financial Statements, etc. (1) Notes to Consolidated Financial Statements (Revenue Recognition)."

※2. Selling, general and administrative expenses

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

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (November 1, 2021 to October 31, 2022)
Payroll and allowances	27,095 million yen	26,404 million yen
Provision for bonuses	316	1,346
Provision for bonuses for directors (and other officers)	20	51
Retirement benefit expenses	822	718
Provision for retirement benefits for directors (and other officers)	46	51
Depreciation and amortization	8,761	9,009
Provision of allowance for doubtful accounts	1,543	675

※3. Gain on sale of non-current assets

The details of the sale of non-current assets are shown below.

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (November 1, 2021 to October 31, 2022)
Buildings	531 million yen	868 million yen
Tools, furniture and fixtures	4	0
Land	1,005	485
Other	72	39

※4. Gain on sale of shares of subsidiaries and associates

This is the gain on sale of shares of subsidiaries and associates resulting from the transfer of all shares the Company held in Huis Ten Bosch, which was a consolidated subsidiary of the Company, to an outside party.

※5. Subsidy income

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

※6. Impairment losses

I. Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)

In the previous consolidated fiscal year, the H.I.S. Group mainly recorded impairment losses on the following assets.

Location	Usage	Category	Impairment losses (millions of yen)
H.I.S. Co., Ltd. (Tokyo, etc.)	Business assets	Buildings, other	256
GROUP MIKI HOLDINGS LIMITED (London, England, etc.)	—	Goodwill	708
GROUP MIKI HOLDINGS LIMITED (London, England, etc.)	Business assets	Intangible assets (other), other	993
Huis Ten Bosch (Himeji City, Hyogo Prefecture)	Business assets	Buildings, land, other	135
HTB Energy Co., Ltd. (Fukuoka City, Fukuoka Prefecture, etc.)	Business assets	Property, plant and equipment (other)	243

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

For asset groups of branches the Group decided to close, it has reduced the book value to the recoverable amount, and recorded impairment losses equivalent to the reduction as an extraordinary loss. Because the Company does not anticipate future cash flows, it has valued the recoverable value at zero.

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

An old private house in Himeji City owned by Huis Ten Bosch, a consolidated subsidiary of the Company, was under renovation for the opening of lodging facilities and restaurants. However, it became difficult to carry out the initial business plan, and as a result of the decision to cancel the business, the expected earnings could no longer be forecast. Therefore, the book value has been reduced to the recoverable amount, and the reduced amount is recorded as impairment losses in extraordinary losses. The recoverable amount is measured by the net selling price and evaluated based on a real estate appraisal.

Consolidated subsidiary HTB Energy Co., Ltd. has seen its earnings sharply deteriorate due to the COVID-19 pandemic, and no longer expects to achieve the previously anticipated revenue levels, resulting in reduced potential for investment recovery. Accordingly, it has reduced the book value of subject assets to the recoverable amount, and recorded impairment losses equivalent to the reduction as an extraordinary loss. Because the Company does not anticipate future cash flows, it has valued the recoverable value at zero.

II. Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

In the current consolidated fiscal year, the H.I.S. Group mainly recorded impairment losses on the following assets.

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

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

For asset groups of branches the Group decided to close, it has reduced the book value to the recoverable amount, and recorded impairment losses equivalent to the reduction as an extraordinary loss. Because the Company does not anticipate future cash flows, it has valued the recoverable value at zero.

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

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

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

Former consolidated subsidiary Huis Ten Bosch, in line with the decision to sell, has written down the book value of its owned assets to the net realizable value, and recorded impairment losses for these write-downs as an extraordinary loss.

When consolidated subsidiaries H.I.S. - MERIT TRAVEL INC. and H.S Insurance Co., Ltd. were acquired, goodwill was recorded based on the assumption of excess earning power. However, due to the prolongation of the COVID-19 pandemic and other factors, the previously expected revenue levels could not be attained and therefore excess earning power fell short of the business plan. Accordingly, impairment losses for the amount of this decrease has been recorded as an extraordinary loss. The recoverable value was determined based on the usable value.

The discount rate used to measure the above usable value ranges from 5.4% to 17%.

※7. Loss on sale of shares of subsidiaries and associates

This is a loss on sale of bonds in relation to the transfer of all shares and receivables in HTB Energy Co., Ltd. (hereinafter, "HTB Energy"), which was a consolidated subsidiary of the Company, and H.I.S. SUPER Power Co., Ltd. (hereinafter, "HSP") to an outside party.

The main breakdown of the loss on sale of shares of subsidiaries and associates is as follows.

HTB Energy	2,992 million yen
HSP	5,410 million yen

※8. Losses from downtime

Losses from downtime are fixed costs (chiefly personnel expenses and depreciation) incurred during the period when operations at the Company's business facilities were temporarily suspended to prevent the spread of COVID-19.

※9. Business restructuring expenses

Business structure improvement expenses are mainly expenses for personnel reductions and other measures to streamline
the organizations of consolidated subsidiaries due to the impact of the COVID-19 pandemic and other factors.

[Consolidated statement of comprehensive income]

*Reclassification adjustments and tax effects relating to other comprehensive income

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (November 1, 2021 to October 31, 2022)
Valuation difference on available-for-sale securities:		
Amount arising during the year	1,064 million yen	(349) million yen
Reclassification adjustments	(878)	(346)
Before tax effect adjustment	186	(695)
Tax effect amount	(70)	213
Valuation difference on available-for-sale securities	116	(482)
Deferred gains and losses on hedges:		
Amount arising during the year	(1)	2
Reclassification adjustments	—	—
Before tax effect adjustment	(1)	2
Tax effect amount	0	(0)
Deferred gains and losses on hedges	(0)	1
Foreign currency translation adjustment:		
Amount arising during the year	4,556	9,066
Reclassification adjustments	—	—
Before tax effect adjustment	4,556	9,066
Tax effect amount	—	—
Foreign currency translation adjustment	4,556	9,066
Remeasurements of defined benefit plans:		
Amount arising during the year	163	176
Reclassification adjustments	(38)	(154)
Before tax effect adjustment	125	22
Tax effect amount	(56)	(20)
Remeasurements of defined benefit plans	69	1
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	61	44
Reclassification adjustments	9	—
Share of other comprehensive income of entities accounted for using equity method	70	44
Total other comprehensive income	4,812	8,631

[Consolidated statement of changes in equity]

Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)

1. Type and number of issued shares and treasury shares

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common stock (Note 1)	68,768,936	7,200,300	―	75,969,236
Total	68,768,936	7,200,300	―	75,969,236
Treasury shares				
Common stock (Note 2, 3)	5,989,248	31	67,181	5,922,098
Total	5,989,248	31	67,181	5,922,098

(Notes) 1. The increase of 7,200,300 issued shares (common stock) reflects an increase from the issuance of new shares through a third-party allotment.

2. The increase of 31 treasury shares of common stock is due to the purchase of fractional shares.

3. The decrease of 67,181 treasury shares (common stock) reflects a decrease of 12,021 shares from the disposal of treasury shares as restricted stock compensation, a decrease of 60 shares from the sale of shares less than one unit, and a decrease of 55,100 shares from the H.I.S. Employee Stock Ownership Association Dedicated Trust to the H.I.S. Employee Stock Ownership Association.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights				Balance at end of period (millions of yen)
			At beginning of period	Increase during period	Decrease during period	At end of period	
Filing Company (Parent company)	Fourth series of share acquisition rights (Note)	Common stock	8,700,300	―	7,200,300	1,500,000	21
	Share acquisition rights as stock options	Common stock	―	―	―	―	136
Total		―	8,700,300	―	7,200,300	1,500,000	158

(Note) The decrease in the fourth series of share acquisition rights reflects the exercise of share acquisition rights. As a result of the exercise of the share acquisition rights, share capital and legal capital surplus increased by 6,048 million yen respectively. As a result, share capital was 21,048 million yen and legal capital surplus was 13,328 million yen as of October 31, 2022.

3. Dividends

(1) Dividends paid

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

(2) Dividends whose record date falls in the current consolidated fiscal year and whose effective date falls in the next consolidated fiscal year

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

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

１． Type and number of issued shares and treasury shares

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

(Notes) 1. The increase of 3,891,700 issued shares (common stock) reflects an increase from the issue of shares by third-party allotment.
２. The increase of 110 treasury shares of common stock is due to the purchase of fractional shares.
３. The decrease of 12,988 treasury shares (common stock) reflects a decrease of shares from the disposal of treasury shares as restricted stock compensation.

２． Share acquisition rights and treasury share acquisition rights

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

３. Dividends

(1) Dividends paid

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

(2) Dividends whose record date falls in the current consolidated fiscal year and whose effective date falls in the next consolidated fiscal year

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

[Consolidated statement of cash flows]

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

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
Cash and deposits account	101,411 million yen	144,795 million yen
Time deposits with maturities of more than three months	(13,332)	(7,856)
Cash and cash equivalents	88,079	136,939

※2. Breakdown of assets and liabilities of companies that ceased to be consolidated subsidiaries due to the sale of shares during the current consolidated fiscal year

Below is a breakdown of assets and liabilities at the time of share transfer in which Huis Ten Bosch and its two subsidiaries ceased to be consolidated subsidiaries, and the transfer price of shares therein together with proceeds from sale thereof.

Current assets	12,763 million yen
Non-current assets	16,141 million yen
Current liabilities	(7,218) million yen
Non-current liabilities	(11,667) million yen
Non-controlling interests	(12,631) million yen
Adjustment amount through acquisition of treasury shares	28,428 million yen
Gain on sale of shares of subsidiaries and associates	40,842 million yen
Stock purchase price	66,660 million yen
Subsidiaries' cash and cash equivalents	(26,812) million yen
Difference: Gains from sale of subsidiary shares	39,847 million yen

[Lease transactions]

1．Finance leases

[Lessee]

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

① Leased asset details

(a) Property, plant and equipment

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

(b) Intangible assets

Software

② Depreciation method for leased assets

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

2．Operating leases

[Lessee]

Future lease receivables related to non-cancelable operating leases

(Millions of yen)

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Due within one year	3,238	3,088
Due after one year	40,847	41,017
Total	44,085	44,106

[Lessor]

Future lease receivables related to non-cancelable operating leases

(Millions of yen)

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Due within one year	529	393
Due after one year	2,951	2,615
Total	3,481	3,008

[Financial instruments]

1． Conditions of financial instruments

(1) Policy for handling financial instruments

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

(2) Type and risk of financial instruments

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

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

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

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

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

2．Fair value of financial instruments, etc.

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

Previous consolidated fiscal year (As of October 31, 2021)

	Amount on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
(1) Marketable and investment securities (*2)	2,106	2,106	—
Held-to-maturity securities	100	100	—
Available-for-sale securities	2,006	2,006	—
(2) Long-term loans receivable (*3)	15	15	—
(3) Long-term loans receivable from subsidiaries and associates (*3)	540	540	—
(4) Guarantee deposits (*2) (*3)	16,859	16,805	(53)
Total assets	19,521	19,468	(53)
(5) Bonds payable	20,000	20,093	93
(6) Convertible bond-type bonds with share acquisition rights	25,054	25,026	(28)
(7) Long-term borrowings (including current portion)	189,201	188,648	(553)
(8) Lease obligations (including current portion)	14,865	14,765	(100)
Total liabilities	249,121	248,532	(588)
Derivatives transactions (*4)	0	0	—

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

(*2) Due to lack of market prices, stocks, etc., for which it is deemed extremely difficult to determine fair value and for which redemption schedules cannot be reasonably assessed, and guarantee deposits, for which it is deemed extremely difficult to determine fair value, are not included in ″(1) Marketable and investment securities″ and “(4) Guarantee deposits.” The consolidated balance sheet amounts of the relevant financial instruments are as follows.

Category	Previous consolidated fiscal year (As of October 31, 2021)
Marketable and investment securities (unlisted stocks, etc.)	3,620
Shares of associates and subsidiaries (unlisted stocks, etc.)	2,559
Investments in capital of subsidiaries and associates	77
Guarantee deposits	4,922

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

(*4) Assets and liabilities accrued from derivatives transactions are presented on a net basis, and net liabilities are shown in square brackets.

Current consolidated fiscal year (As of October 31, 2022)

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

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

(*2) Shares without fair value are not included in "(1) Marketable securities and investment securities."
The consolidated balance sheet amounts of the relevant financial instruments are as follows.

Category	Current consolidated fiscal year (As of October 31, 2022)
Marketable and investment securities (unlisted stocks, etc.)	2,502
Shares of associates and subsidiaries (unlisted stocks, etc.)	2,865
Investments in capital of subsidiaries and associates	77

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

(*4) Assets and liabilities accrued from derivatives transactions are presented on a net basis, and net liabilities are shown in square brackets.

(Note) 1. Redemption schedule for monetary claims and securities with maturity after the consolidated closing date

Previous consolidated fiscal year (As of October 31, 2021)

	1 year or less (millions of yen)	Over 1 year to 5 years (millions of yen)	Over 5 years to 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	101,411	—	—	—
Notes and accounts receivable - trade, and contract assets	16,718	—	—	—
Trade accounts receivable	171	—	—	—
Marketable and investment securities				
Held-to-maturity securities				
(1) Bonds	—	120	—	—
Available-for-sale securities with maturities				
(1) Government bonds and municipal bonds, etc.	—	—	—	—
(2) Bonds payable	—	—	—	—
(3) Other	—	—	—	—
Short-term loans receivable	3,479	—	—	—
Short-term loans receivable from subsidiaries and associates	233	—	—	—
Accounts receivable - other	7,536	—	—	—
Long-term loans receivable	—	39	27	—
Long-term loans receivable from subsidiaries and associates	—	898	2	—

Current consolidated fiscal year (As of October 31, 2022)

	1 year or less (millions of yen)	Over 1 year to 5 years (millions of yen)	Over 5 years to 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	144,795	—	—	—
Notes receivable, accounts receivable and contract assets	11,538	—	—	—
Trade accounts receivable	298	—	—	—
Marketable and investment securities				
Held-to-maturity securities				
(1) Bonds	200	20	—	—
Available-for-sale securities with maturities				
(1) Government bonds and municipal bonds, etc.	—	—	—	—
(2) Bonds payable	—	—	—	—
(3) Other	—	—	—	—
Short-term loans receivable	133	—	—	—
Short-term loans receivable from subsidiaries and associates	205	—	—	—
Accounts receivable - other	20,001	—	—	—
Long-term loans receivable	—	11	—	—
Long-term loans receivable from subsidiaries and associates	—	504	—	—

(Note) 2. Repayment schedule for bonds payable, long-term borrowings, and lease obligations after the consolidated closing date

Previous consolidated fiscal year (As of October 31, 2021)

	1 year or less (millions of yen)	Over 1 year to 2 years (millions of yen)	Over 2 years to 3 years (millions of yen)	Over 3 years to 4 years (millions of yen)	Over 4 years to 5 years (millions of yen)	Over 5 years (millions of yen)
Short-term borrowings	28,240	—	—	—	—	—
Bonds payable	—	—	15,000	—	—	5,000
Convertible bond-type bonds with share acquisition rights	—	—	—	25,000	—	—
Long-term borrowings (including current portion)	4,557	32,168	28,968	1,844	43,044	78,617
Lease obligations (including current portion)	2,454	2,282	1,990	1,548	1,341	5,247
Total	35,252	34,451	45,959	28,393	44,385	88,864

Current consolidated fiscal year (As of October 31, 2022)

	1 year or less (millions of yen)	Over 1 year to 2 years (millions of yen)	Over 2 years to 3 years (millions of yen)	Over 3 years to 4 years (millions of yen)	Over 4 years to 5 years (millions of yen)	Over 5 years (millions of yen)
Short-term borrowings	28,555	—	—	—	—	—
Bonds payable	—	15,000	—	—	5,000	—
Convertible bond-type bonds with share acquisition rights	—	—	25,000	—	—	—
Long-term borrowings (including current portion)	32,156	32,306	2,223	43,308	5,417	73,472
Lease obligations (including current portion)	2,646	2,296	1,836	1,552	1,393	4,557
Total	63,358	49,602	29,060	44,860	11,810	78,029

3． Breakdown of the fair values of financial instruments by level

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of the inputs to the calculation of fair value.

Level 1 fair value: Of the inputs related to the calculation of observable fair value, fair value calculated using the market price of the asset or liability subject to the calculation of fair value that is formed in an active market.

Level 2 fair value: Fair value calculated using observable fair value calculation inputs other than Level 1 inputs.

Level 3 fair value: Fair value determined using unobservable fair value calculation inputs.

When multiple inputs that have a significant impact on the calculation of fair value are used, the fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which those inputs belong.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Current consolidated fiscal year (As of October 31, 2022)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Available-for-sale securities				
Stock	62	—	—	62
Other	—	418	—	418
Derivatives transactions				
Currency-related transactions	—	2	—	2
Total assets	62	420	—	483

(2) Financial instruments not recorded on the consolidated balance sheet at fair value

Current consolidated fiscal year (As of October 31, 2022)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Held-to-maturity securities				
Bonds payable	—	219	—	219
Long-term loans receivable	—	11	—	11
Long-term loans receivable from subsidiaries and associates	—	398	—	398
Guarantee deposits	—	20,495	—	20,495
Total assets	—	21,125	—	21,125
Bonds payable	—	20,053	—	20,053
Convertible bond-type bonds with share acquisition rights	—	24,989	—	24,989
Long-term borrowings (including current portion)	—	188,041	—	188,041
Lease obligations (including current portion)	—	14,208	—	14,208
Total liabilities	—	247,292	—	247,292

(Note) Valuation techniques used in calculation of fair value and explanation of inputs related to the calculation of fair value

Marketable and investment securities

Stocks and bonds are calculated based on stock exchange prices or prices presented by financial institutions. Listed stocks are classified as Level 1 fair values as they are traded in an active market. On the other hand, the market prices of corporate bonds, etc. held by the Company are classified as level 2 fair values because they are not traded in the market frequently and are not recognized as quoted prices in active markets.

Derivatives transactions

Fair values are calculated based on the prices, etc. presented by counterparty financial institutions, etc., and are categorized as level 2 fair values.

Interest rate swaps subject to special treatment are treated together with the hedged long-term borrowings payable, so their fair value is included in the fair value of the relevant long-term borrowings payable.

Long-term loans receivable and long-term loans receivable from subsidiaries and associates

The fair value of these items is the present value calculated by discounting future cash flows at an interest rate equal to an appropriate index such as the yield of government bonds plus the credit spread, and are classified as level 2 fair values.

Guarantee deposits

The fair value of security deposits is calculated as the present value of future cash flows discounted at a risk-free rate based on a reasonably estimated redemption date, classified as level 2 fair value.

Bonds payable

The fair value of bonds issued by the Company is calculated by discounting the total amount of principal and interest at the interest rate that would be expected if a similar new issuance were to be made, and is classified as level 2 fair value.

Convertible bond-type bonds with share acquisition rights

The fair value of convertible bond-type bonds with share acquisition rights issued by the Company is calculated by discounting the total amount of principal and interest at the interest rate that would be expected if a similar new issuance were to be made, and is classified as level 2 fair value.

Long-term borrowings (including current portion)

The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest at the interest rate that would be expected if a similar new issuance were to be made, and is classified as level 2 fair value.

Some long-term borrowings are subject to special treatment for interest rate swaps. These are calculated by using the present value from which is discounted the total amount of principal and interest at the interest rate that would be expected if a similar new loan were to be made, and are classified as level 2 fair value.

Lease obligations (including current portion)

The fair value of lease obligations is calculated by discounting the total amount of principal and interest at the interest rate that would be expected if a similar new lease were to be made, and is classified as level 2 fair value.

[Marketable securities]

1. Held-to-maturity securities

Previous consolidated fiscal year (As of October 31, 2021)

	Category	Consolidated balance sheet amount (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Market value above consolidated balance sheet amount	(1) Bonds	—	—	—
	(2) Other	—	—	—
	Subtotal	—	—	—
Market value at or below consolidated balance sheet amount	(1) Bonds	100	100	—
	(2) Other	—	—	—
	Subtotal	100	100	—
Total		100	100	—

Corporate bonds (20 million yen recorded on the consolidated balance sheet) are not listed as they have no market prices and their fair values are deemed extremely difficult to determine.

Current consolidated fiscal year (As of October 31, 2022)

	Category	Consolidated balance sheet amount (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Market value above consolidated balance sheet amount	(1) Bonds	10	10	0
	(2) Other	—	—	—
	Subtotal	10	10	0
Market value at or below consolidated balance sheet amount	(1) Bonds	210	209	(0)
	(2) Other	—	—	—
	Subtotal	210	209	(0)
Total		220	219	(0)

2. Available-for-sale securities

Previous consolidated fiscal year (As of October 31, 2021)

	Category	Consolidated balance sheet amount (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Consolidated balance sheet amount above acquisition price	(1) Stocks	11	11	0
	(2) Bonds	—	—	—
	(3) Other	1,990	960	1,030
	Subtotal	2,001	971	1,030
Consolidated balance sheet amount at or below acquisition price	(1) Stocks	4	4	(0)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	4	4	(0)
Total		2,006	976	1,030

(Note) Unlisted stocks (3,600 million yen recorded on the consolidated balance sheet) have no market prices and are deemed extremely difficult to determine their fair values. Accordingly, they are not included in "Available-for-sale securities" in the table above.

Current consolidated fiscal year (As of October 31, 2022)

	Category	Consolidated balance sheet amount (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Consolidated balance sheet amount above acquisition price	(1) Stocks	48	46	1
	(2) Bonds	149	122	26
	(3) Other	264	25	238
	Subtotal	462	195	267
Consolidated balance sheet amount at or below acquisition price	(1) Stocks	14	15	(0)
	(2) Bonds	—	—	—
	(3) Other	4	5	(0)
	Subtotal	18	20	(1)
Total		480	215	265

(Note) Unlisted stocks (2,502 million yen recorded on the consolidated balance sheet) have no market prices and are deemed extremely difficult to determine their fair values. Accordingly, they are not included in "Available-for-sale securities" in the table above.

3. Held-to-maturity securities sold

Previous consolidated fiscal year (As of October 31, 2021)

Category	Cost of bonds sold (millions of yen)	Proceeds from sale (millions of yen)	Gains (losses) on sale (millions of yen)
Bonds payable	10	9	(0)

Reason for sale

The corporate bonds were sold in an effort to enhance asset efficiency following a review of shareholdings.

Current consolidated fiscal year (As of October 31, 2022)

There are no applicable matters to report.

4. Available-for-sale securities sold

Previous consolidated fiscal year (As of October 31, 2021)

Category	Proceeds from sale (millions of yen)	Gains on sale (millions of yen)	Losses on sale (millions of yen)
(1) Stocks	102	102	—
(2) Other	4,875	886	—
Total	4,978	988	—

Current consolidated fiscal year (As of October 31, 2022)

Category	Proceeds from sale (millions of yen)	Gains on sale (millions of yen)	Losses on sale (millions of yen)
(1) Stocks	230	104	—
(2) Other	4,291	1,342	—
Total	4,522	1,446	—

5. Securities for which impairment losses were recognized

In the previous consolidated fiscal year, impairment losses of 1,595 million yen were recognized for marketable securities.

In the current consolidated fiscal year, impairment losses of 74 million yen were recognized for marketable securities.

Impairment losses are recorded when the market value of marketable securities drops below 50% of the acquisition cost, except in cases where the market value is expected to recover.

[Derivatives transactions]

1. Derivatives transactions for which hedge accounting is not applied

Currency-related transactions

Previous consolidated fiscal year (As of October 31, 2021)

Category	Transaction type	Contract amount, etc. (millions of yen)	Contract amount, etc. over 1 year (millions of yen)	Fair value (millions of yen)	Unrealized gains (losses) (millions of yen)
Off-market transactions	Forward exchange contracts Bought USD	10	—	11	0
Total		10	—	11	0

Current consolidated fiscal year (As of October 31, 2022)

There are no applicable matters to report.

2. Derivatives transactions for which hedge accounting is applied

Currency-related transactions

Previous consolidated fiscal year (As of October 31, 2021)

There are no applicable matters to report.

Current consolidated fiscal year (As of October 31, 2022)

Category	Transaction type	Major hedged items	Contract amount, etc. (millions of yen)	Contract amount, etc. over 1 year (millions of yen)	Fair value (millions of yen)
Principle method	Forward exchange contracts Bought USD	Accounts payable	553	—	2
	EUR		9	—	0
Total			563	—	2

[Provision for employee retirement benefits]

1. Outline of adopted employee retirement benefit plans

The Company and some of its consolidated subsidiaries have adopted funded and unfunded defined benefit and defined contribution plans to cover retirement benefits for their employees.

Defined benefit corporate pension plans provide lump-sum retirement benefits or pension benefits based on salary and years of service.

Retirement lump-sum plans provide lump-sum retirement benefits based on salary and years of service.

The retirement lump-sum plans adopted by some consolidated subsidiaries calculate liabilities and expenses for retirement benefits using the simplified method.

2. Defined benefit plan

(1) Reconciliation of balance of retirement benefit obligation at beginning and end of the year

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
Retirement benefit obligation at beginning of year	10,235 million yen	9,630 million yen
Service cost	1,078	952
Interest cost	32	35
Actuarial differences	(35)	(297)
Retirement benefits paid	(1,112)	(870)
Past service costs incurred	—	—
Decline accompanying the transfer to defined contribution pension plans	(106)	(74)
Foreign currency translation gains (losses)	(462)	34
Decline due to deconsolidation	—	(1,309)
Projected benefit obligation at end of year	9,630	8,101

(Note) Certain consolidated subsidiaries use the simplified method to calculate projected benefit obligation. The decrease due to exclusion from consolidation is due to the transfer of shares of Huis Ten Bosch, which was a consolidated subsidiary of the Company.

(2) Reconciliation of balance of pension assets at beginning and end of the year

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
Pension assets at beginning of year	2,856 million yen	2,698 million yen
Expected return on plan assets	41	41
Actuarial differences	127	(118)
Amount of employer contribution	142	111
Retirement benefits paid	(470)	(194)
Pension assets at end of year	2,698	2,538

(3) Reconciliation of balance of retirement benefit obligation and pension assets at end of fiscal year and retirement benefit liability and asset recorded on the consolidated balance sheet

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Retirement benefit obligation for funded plans	2,079 million yen	2,013 million yen
Pension assets	(2,698)	(2,538)
	(619)	(524)
Retirement benefit obligation for unfunded plans	7,550	6,087
Net liability and asset recorded on consolidated balance sheet	6,931	5,563
Retirement benefit liability	7,659	6,234
Retirement benefit asset	(727)	(671)
Net liability and asset recorded on consolidated balance sheet	6,931	5,563

(4) Retirement benefit expenses and breakdown

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
Service cost	1,078 million yen	952 million yen
Interest cost	32	35
Expected return on plan assets	(41)	(41)
Amortization of actuarial differences	(41)	(99)
Amortization of prior service costs	2	2
Retirement benefit expenses related to defined-benefit plans	1,031	849

(Note) The retirement benefit expenses incurred by consolidated subsidiaries that adopt a simplified method of calculation are included under service costs.

(5) Adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) recorded as adjustments related to retirement benefits is shown below.

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
Past service costs	(2) million yen	(2) million yen
Actuarial differences	(122)	(19)
Total	(125)	(22)

(6) Cumulative adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) recorded as cumulative adjustments related to retirement benefits is shown below.

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Unrecognized prior service costs	10 million yen	7 million yen
Unrecognized actuarial differences	(201)	(221)
Total	(191)	(213)

(7) Items related to pension assets

① Breakdown of principal pension assets

Main categories by percentage of total pension assets are shown below.

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Bonds	19%	20%
Stock	29	29
Regular accounts	51	50
Other	1	1
Total	100	100

② Method for setting long-term expected rate of return

When determining the long-term expected rate of return on pension assets, the Company considers the current and projected allocation of pension assets and the current and future long-term rates of return for the diverse assets that comprise its pension assets.

(8) Basis for calculating actuarial differences

Basis for calculating principal actuarial differences

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Discount rate	0.2%～0.4%	0.4%～1.0%
Long-term expected rate of return on plan assets	2.0%	2.0%

3．Defined contribution plan

The defined contribution of the Company and its consolidated subsidiaries was 184 million yen for the previous consolidated fiscal year and 185 million yen for the current consolidated fiscal year.

[Stock options]

1． Amount and account of expenses related to stock options

(Millions of yen)

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
Selling, general and administrative expenses	82	76

2． Description, scale, and changes of stock options

(1) Description of stock options

	Third Series of Stock Options	Consolidated subsidiaries Huis Ten Bosch Technical Center Co., Ltd.
Category and number of grantees	Company Directors: 5 Company employees: 1,541 Subsidiary Directors: 44 Subsidiary employees: 200	Directors of said company: 4 Employees of said company; Directors and employees of said company's subsidiaries: 28
Number of stock options by stock type	Common stock: 900,500	Common stock: 64,700
Grant date	March 23, 2020	September 27, 2019
Conditions for vesting	①Persons granted an allotment of the share acquisition rights (hereinafter, the "Rights Holders") must be Directors or employees of the Company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors in the case of resignations of Directors after their terms have expired, mandatory retirement for employees, transfers prompted by an administrative order, or based on other justifiable reasons. ②In the event of the death of a Rights Holder, the rights may not be exercised by the corresponding heir. ③Other conditions are as stipulated in the share acquisition rights allotment agreement concluded between the Company and the Rights Holder.	①Persons granted an allotment of the share acquisition rights (hereinafter, the "Rights Holders") must be Directors, corporate auditors, employees, or advisors of the company or one of its subsidiaries at the time the share acquisition rights are exercised. However, this restriction shall not apply if so approved by the Board of Directors in any of the following cases or based on other justifiable reasons: resignations of Directors and corporate auditors after their terms have expired, and mandatory retirement for employees. ②Common shares of the company must be listed on a financial instruments exchange. ③In the event of the death of a Rights Holder, the rights may not be exercised by the corresponding heir.
Requisite service period	Not specified	Not specified
Exercisable period	From April 1, 2023 to March 31, 2024	September 25, 2021 to September 24, 2029

(2) Scale of stock options and related changes

Changes in the scale of stock options that existed in the current consolidated fiscal year ended October 31, 2022 are shown below. The number of stock options is presented as the number of underlying shares.

① Number of stock options

	Third Series of Stock Options	Consolidated subsidiaries Huis Ten Bosch Technical Center Co., Ltd.
Non-vested (shares):		
End of previous consolidated fiscal year	900,500	64,700
Granted	－	－
Forfeited	－	2,900
Vested	－	61,800
Unvested	900,500	－
Vested (shares):		
End of previous consolidated fiscal year	－	－
Vested	－	61,800
Exercised	－	－
Forfeited	－	－
Not exercised	－	61,800

② Price information

	Third Series of Stock Options	Consolidated subsidiaries Huis Ten Bosch Technical Center Co., Ltd.
Exercise price (yen)	1,387	1,450
Average share price at time of exercise (yen)	－	－
Fair value per share at grant date (yen)	291	－

3． Method for estimating the number of stock options vested

Future forfeiture of stock options is not factored in because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

[Tax effect accounting]

1．Principal components of deferred tax assets and deferred tax liabilities are shown below.

	Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
[Deferred tax assets]		
Tax loss carryforwards (Note)	22,170 million yen	11,608 million yen
Retirement benefit liability	2,044	1,627
Provision for retirement benefits for directors (and other officers)	75	80
Depreciation	524	566
Non-deductible asset retirement obligation expenses	117	416
Long-term accounts payable - other	96	96
Excess allowance for doubtful accounts	4,699	2,086
Provision for bonuses	162	300
Accrued enterprise taxes	70	15
Unsettled gift certificates	522	471
Accrued social insurance premiums	17	40
Subsidy income	478	58
Impairment losses	2,906	138
Loss on valuation of shares of subsidiaries	2,980	2,543
Other	1,951	911
Deferred tax assets subtotal	38,818	20,960
Valuation allowance pertaining to tax loss carryforwards (Note)	(15,942)	(7,230)
Valuation allowance pertaining to total future deductible temporary differences	(11,215)	(6,227)
Valuation allowance subtotal	(27,157)	(13,458)
Total deferred tax assets	11,660	7,502
[Deferred tax liabilities]		
Valuation difference on available-for-sale securities	(315)	(106)
Other	(209)	(445)
Total deferred tax liabilities	(525)	(552)
Net deferred tax assets	11,135	6,949

[Deferred tax liabilities]		
Revaluation reserve for land	1,654	1,654
Unrealized losses on non-current assets	2,485	2,420
Other	1,160	1,167
Total deferred tax liabilities	5,300	5,242
[Deferred tax assets]		
Tax loss carryforwards (Note)	(1,904)	(7,026)
Retirement benefit liability	(181)	(167)
Provision for retirement benefits for directors (and other officers)	(7)	(12)
Loss on valuation of shares of subsidiaries	—	(829)
Other	(156)	(762)
Subtotal deferred tax assets	(2,250)	(8,798)
Valuation allowance pertaining to tax loss carryforwards (Note)	1,750	6,844
Valuation allowance pertaining to total future deductible temporary differences	182	1,676
Valuation allowance subtotal	1,932	8,520
Total deferred tax assets	(317)	(278)
Net deferred tax liabilities	4,982	4,963

(Note) Tax loss carryforwards and related deferred tax assets by carryforward period

Previous consolidated fiscal year(As of October 31, 2021)

	1 year or less (millions of yen)	Over 1 year to 2 years (millions of yen)	Over 2 years to 3 years (millions of yen)	Over 3 years to 4 years (millions of yen)	Over 4 years to 5 years (millions of yen)	Over 5 years (millions of yen)	Total (millions of yen)
Tax loss carryforwards (*1)	—	—	4	30	3	24,036	24,074
Valuation allowance	—	—	(4)	(30)	(3)	(17,654)	(17,692)
Deferred tax assets	—	—	—	—	—	6,381	(※2)6,381

(*1) Tax loss carryforward figures are the amount multiplied by the effective statutory tax rate.

(*2) For the tax loss carryforward of 24,074 million yen (amount multiplied by effective statutory tax rate), deferred tax assets of 6,381 million yen were recorded. No valuation allowance was recognized for the portion of this tax loss carryforward that has been determined to be recoverable on the basis of projected future taxable income.

Current consolidated fiscal year (As of October 31, 2022)

	1 year or less (millions of yen)	Over 1 year to 2 years (millions of yen)	Over 2 years to 3 years (millions of yen)	Over 3 years to 4 years (millions of yen)	Over 4 years to 5 years (millions of yen)	Over 5 years (millions of yen)	Total (millions of yen)
Tax loss carryforwards (*1)	—	—	26	2	47	18,558	18,634
Valuation allowance	—	—	(26)	(1)	(47)	(13,998)	(14,074)
Deferred tax assets	—	—	0	0	—	4,559	(※2)4,559

(*1) Tax loss carryforward figures are the amount multiplied by the effective statutory tax rate.

(*2) For the tax loss carryforward of 18,634 million yen (amount multiplied by effective statutory tax rate), deferred tax assets of 4,559 million yen were recorded. No valuation allowance was recognized for the portion of this tax loss carryforward that has been determined to be recoverable on the basis of projected future taxable income.

2． Major components of significant differences arising between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

Previous consolidated fiscal year (As of October 31, 2021)	Current consolidated fiscal year (As of October 31, 2022)
Notes have been omitted as the Company recorded a current net loss before income taxes.	Notes have been omitted as the Company recorded a current net loss before income taxes.

(Business combination)

(HTB Energy Co., Ltd. share transfer)

The Company concluded an agreement dated April 28, 2022 to transfer all shares in its consolidated subsidiary HTB Energy Co., Ltd. (a wholly-owned subsidiary of the Company, hereinafter, "HTB Energy") and the transfer was completed on May 20, 2022.

1．Overview of business separation

(1) Name of divestee company

HBD Inc.

(2) Details of the separated business

Electricity retail business

(3) Main reasons for business separation

HTB Energy, which operates the electricity retail business in the Group's Energy Business, is facing a difficult business environments because of the normalization of soaring electricity procurement prices. Due to HTB Energy's continued chronic deficits, the Company determined that it would take time to rebuild HTB Energy and therefore decided to transfer all of its shares to another party that has expertise in this business and can be entrusted with said business.

(4) Business separation date

May 20, 2022

(5) Matters related to summary of other transactions, including statutory forms

Share transfer where the consideration to be received is cash or other assets only

2．Summary of implemented accounting policy

(1) Full amount of gains or losses on transfer

Loss on sale of shares of subsidiaries and associates: 2,992 million yen

(2) Breakdown of fair book value of assets and liabilities related to the transferred business

Due to the confidentiality obligation between the parties, the sale price is not disclosed, so the Company refrains from disclosing the book value and the breakdown thereof.

(3) Accounting

The difference between the consolidated book value of the transferred shares and the sale price is recorded as an extraordinary loss in the form of a loss on sale of shares of subsidiaries and associates.

3．Reportable segments that included separated businesses

Energy Business

4．Estimated amount of gains and losses related to the separated business recorded in the consolidated statement of income for the current consolidated fiscal year

Net sales	24,136 million yen
Operating loss	9,065 million yen

(Share transfer of Huis Ten Bosch)
The Company concluded an agreement dated August 30, 2022 to transfer all shares in its consolidated subsidiary Huis Ten Bosch (a subsidiary in which the Company held 66.67% of the voting rights, hereinafter, " Huis Ten Bosch") and the transfer was completed on September 30, 2022.

1. Overview of business separation

(1) Name of divestee company

PAG HTB Holdings Co., Ltd.

(2) Details of the separated business

Theme Park Business (Huis Ten Bosch and its two subsidiaries)

(3) Main reasons for business separation

Since April 2010, the Company has made it its mission to rebuild Huis Ten Bosch, and has contributed to the realization of Japan's goal of becoming a tourism-oriented nation together with participating in the Theme Park Business with the aim of revitalizing local communities and creating employment. Huis Ten Bosch had been in the red for 18 years since its opening, but after various improvements and reforms, it achieved profitability for 10 consecutive years since the year it became a subsidiary of the Group. The Company believes that its has fulfilled its role of restructuring management, revitalizing the local community, and creating employment by developing measures for the 30th anniversary of business on the back of a stable management foundation.

To realize Huis Ten Bosch's corporate philosophy of "providing joy and excitement to the people of the world and creating a new tourism business city," the Company has decided to transfer all of its shares in Huis Ten Bosch to a partner outside of the Group that has the expertise in the Theme Park Business required to achieve further growth and strengthen competitiveness, and which is able to provide funds flexibly and to strengthen cooperation with Huis Ten Bosch in the pursuit of business.

(4) Business separation date

September 30, 2022

(5) Matters related to summary of other transactions, including statutory forms

Share transfer where the consideration to be received is cash or other assets only

2. Summary of implemented accounting policy

(1) Full amount of gains or losses on transfer

Gain on sale of shares of subsidiaries and associates 40,842 million yen

(2) Breakdown of fair book value of assets and liabilities related to the transferred business

Current assets	12,763 million yen
Non-current assets	16,141 million yen
Total assets	28,905 million yen
Current liabilities	7,218 million yen
Non-current liabilities	11,667 million yen
Total liabilities	18,885 million yen

(3) Accounting

The difference between the consolidated book value of the transferred shares and the sale price is recorded as an extraordinary gain in the form of a gain on sale of shares of subsidiaries and associates.

3. Reportable segments that included separated businesses

Theme Park Business

4. Estimated amount of gains and losses related to the separated business recorded in the consolidated statement of income for the current consolidated fiscal year

Net sales	18,282 million yen
Operating profit	260 million yen

(Share transfer of H.I.S. SUPER Power Co., Ltd.)

A contract was concluded on October 31, 2022 to transfer all shares in consolidated subsidiary H.I.S. SUPER Power Co., Ltd. (a wholly owned subsidiary of the Company, hereinafter, "HSP") and the transfer was completed on the same date.

１. Overview of business separation

(1) Name of divestee company

Kyushu Ohisama Power Generation Co., Ltd.

(2) Details of the separated business

Power Generation Business (HSP and one of its subsidiaries)

(3) Main reasons for business separation

HSP carries out power generation using renewable energy in the Group's Energy Business, and has been working to solve the depletion of fossil fuel resources and alleviate global warming by promoting the shift from fossil fuels to renewable energy. However, soaring prices have made it difficult to secure the necessary amount of palm oil, which is the fuel for HSP's biomass power generation, and the company has fallen into excess debt. The Company has started to strengthen and improve its financial structure in preparation for the recovery and reconstruction of each business, including the Travel Business, which is the main business of the Group, in the prolonged COVID-19 pandemic. Under these circumstances, due to HSP's continued chronic deficits, the Company determined that it would take time to rebuild HSP and therefore decided to transfer all of its shares to another party that has expertise in this business and can be entrusted with said business.

(4) Business separation date

October 31, 2022

(5) Matters related to summary of other transactions, including statutory forms

Transfer of shares and receivables where the consideration to be received is cash or other assets only

２. Summary of implemented accounting policy

(1) Full amount of gains or losses on transfer

Loss on sale of shares of subsidiaries and associates 5,410 million yen

(2) Breakdown of fair book value of assets and liabilities related to the transferred business

Current assets	850 million yen
Non-current assets	6,856 million yen
Total assets	7,706 million yen
Current liabilities	252 million yen
Non-current liabilities	9,649 million yen
Total liabilities	9,901 million yen

(3) Accounting

The difference between the consolidated book value of the transferred shares and the sale price is recorded as an extraordinary loss in the form of a loss on sale of shares of subsidiaries and associates.

The difference between the consolidated book value of the receivables sold at the same time and the sale price is also recorded in the form of a loss on sale of shares of subsidiaries and associates.

３. Reportable segments that included separated businesses

Energy Business

４. Estimated amount of gains and losses related to the separated business recorded in the consolidated statement of income for the current consolidated fiscal year

Net sales	152 million yen
Operating loss	888 million yen

[Asset retirement obligations]

The overall value of asset retirement obligations is not significant, and is therefore omitted.

[Rental and other properties]

The Company and some of its consolidated subsidiaries own rental office buildings, rental condominiums, and rental commercial facilities in Kumamoto Prefecture and other regions, from which they generate rental income. In the fiscal year ended October 31, 2021, revenue from rental properties amounted to 469 million yen (rental income was recorded under net sales on the consolidated statement of income, and primary rental expenses were recorded under selling, general and administrative expenses). In the fiscal year ended October 31, 2022, revenue from rental properties totaled 464 million yen (rental income was recorded under net sales on the consolidated statement of income, and primary rental expenses were recorded under selling, general and administrative expenses). The amounts recorded on the consolidated balance sheet, increase or decrease during the year, and fair value of the rental properties are as follows.

(Millions of yen)

		Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (November 1, 2021 to October 31, 2022)
Amount on consolidated balance sheet			
	Balance at beginning of period	54,714	47,305
	Increase (decrease) during period	(7,408)	(8,172)
	Balance at end of period	47,305	39,133
Fair value at end of period		52,573	43,039

(Notes) 1. The amount on the consolidated balance sheet is calculated by deducting the accumulated depreciation from the acquisition cost.

2. Of the amount of increase or decrease during the year, the main decrease in the previous consolidated fiscal year was the sale of rental and other properties (6,457 million yen). The main decrease in the current consolidated fiscal year is the sale of rental and other properties (6,758 million yen) and the impact of rental and other properties owned by Huis Ten Bosch, which was excluded from the scope of consolidation after the sale of all shares (534 million yen).

3. Fair value at the end of the fiscal year is calculated by the Company based on real estate appraisal standards (including those adjusted using relevant indexes, etc.).

[Revenue recognition]

1. Information regarding disaggregated revenue from contracts with customers

The Group designates the Travel Business, the Theme Park Business, the Hotel Business, the Kyushu Sanko Group, and the Energy Business as its reportable segments. Revenue is broken down by region based on the location of the Group companies. The relationship between the disaggregated revenue and the revenue of each reportable segment (revenue from external customers) is as follows.

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

(Millions of yen)

	Reportable segments						Other (Note)	Total
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Total		
Japan	49,556	19,750	4,423	14,534	24,288	112,554	2,751	115,305
Americas	11,384	－	1,150	－	－	12,534	－	12,534
Asia	1,028	－	2,296	－	－	3,325	－	3,325
Oceania	(45)	－	－	－	－	(45)	－	(45)
Europe, Middle East, Africa	5,405	－	81	－	－	5,486	－	5,486
Revenue generated from contracts with customers	67,328	19,750	7,951	14,534	24,288	133,854	2,751	136,605
Other revenue	－	893	980	3,413	－	5,288	901	6,189
Sales to external customers	67,328	20,644	8,931	17,948	24,288	139,142	3,652	142,794

(Note) "Other" refers to business segments such as the non-life insurance business and real estate business, etc. not included in the reportable segments.

2．Information that forms the basis for understanding the revenue generated from contracts with customers

Recorded in "(Significant matters that serve as the basis for preparation of the consolidated financial statements) 4. Accounting policies (5) Standards for recording significant income and expenses." In principle, the consideration for transactions is to be received before the performance obligation is satisfied. Even if consideration is received after the performance obligation is satisfied, normally the contract does not include a significant financial component because the payment deadline arrives within a short period of time.

3．Information regarding the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers existing at the end of the current consolidated fiscal year in the next consolidated fiscal year and beyond

(1) Balance of contract assets and liabilities

(Millions of yen)

	Current consolidated fiscal year
Receivables from contracts with customers (balance at beginning of period)	11,308
Receivables from contracts with customers (balance at end of period)	11,413
Contract assets (balance at beginning of period)	10
Contract assets (balance at end of period)	125
Contract liabilities (balance at beginning of period)	16,074
Contract liabilities (balance at end of period)	30,369

Contract assets mainly relate to the rights of consolidated subsidiaries to revenue recognized as performance obligations are satisfied, in cases where consideration for construction transactions is received after performance obligations have been satisfied. Contract assets can be transferred to receivables generated from contracts with customers when the consolidated subsidiary's right to consideration becomes unconditional. Contract liabilities mainly consist of advances received for travel products planned and arranged by the company itself, travel gift certificates, and advances received for tuition fees at language schools. Contract liabilities are drawn upon in accordance with revenue recognition. Of the amount of revenue recognized during the current consolidated fiscal year, the amount included in the contract liability balance at the beginning of the fiscal year is 9,574 million yen.

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations at the end of the current consolidated fiscal year is 6,456 million yen. The performance obligations are mainly travel tickets, etc. used for package tour products, etc. Approximately 7.5% is expected to be recognized within one year after the end of the period, about 11.6% within two to five years, and the remaining 80.9% after six years or later. The Company and its consolidated subsidiaries apply the practical expedient in noting the transaction price allocated to the remaining performance obligations, and contracts with an initially expected contract period of one year or less are not included in the notes.

[Segment information, etc.]

Segment information

1. Outline of reportable segments

The H.I.S. Group's reportable segments are constituent units of the Group for which separate financial information is available and which are evaluated regularly by the chief decision-making authority to determine the allocation of management resources and assess performance. The Group is composed of five businesses: the Travel Business, the Theme Park Business, the Hotel Business, the Kyushu Sanko Group, and the Energy Business, and is engaged in business activities by developing comprehensive domestic and overseas strategies. Accordingly, the Group designates the Travel Business, the Theme Park Business, the Hotel Business, the Kyushu Sanko Group, and the Energy Business as its reportable segments.

The Travel Business engages in the arrangement, planning, and sales of overseas and domestic travel products and peripheral operations. In the Theme Park Business, the Group owns and manages theme parks in Sasebo City, Nagasaki Prefecture and Gamagori City, Aichi Prefecture. The Hotel Business engages in hotel operations in Japan, Taiwan, the U.S., and Indonesia, as well as in ancillary businesses. The Kyushu Sanko Group, whose holding company is KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO, LTD., is a segment of the H.I.S. Group that engages in vehicle transportation, real estate leasing, and other operations. The Energy Business engages in retail electricity sales and the development of new electric power including renewable energy, and operates ancillary businesses.

As stated in the notes to "(Changes in accounting policies) (Application of Accounting Standard for Revenue Recognition)," the Company applies Revenue Recognition Accounting Standards from the beginning of the current consolidated fiscal year, and due to the change in method, the calculation method for profit or loss in the reportable segments has also been changed. As a result of these changes, compared with conventional methods, sales for the current consolidated fiscal year have decreased across the board, with 112,880 million yen reported in the "Travel Business," 821 million yen in the "Theme Park Business," 1,061 million yen for the "Kyushu Sanko Group," 2,775 million in the "Energy Business," and 15 million in "Other." Operating loss also decreased in the "Travel Business" 631 million yen, "Energy Business" 7 million yen, and "Other" 7 million yen, while there was an operating profit of 12 million yen in the "Theme Park Business."

HTB Energy Co., Ltd., which was a consolidated subsidiary of the Company, was excluded from consolidation in the third quarter of the current consolidated accounting period, and Huis Ten Bosch and H.I.S. SUPER Power Co., Ltd. were likewise excluded from consolidation in the fourth quarter of the current consolidated accounting period. As a result, compared to the last day of the previous consolidated fiscal year, the segment assets of the "Theme Park Business" decreased to 33,061 million yen and the segment assets of the "Energy Business" decreased to 19,816 million yen.

2. Calculation methods for net sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting methods used for reportable segments are roughly the same as those discussed under "Significant matters that serve as the basis for preparation of the consolidated financial statements."

Segment profit figures are operating profits.

Intersegment internal profits and transfers are based on market prices.

3． Information about net sales, profit (loss), assets, liabilities, and other items for each reportable segment

Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)

(Millions of yen)

	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Amount on consolidated financial statements (Note 3)
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Total				
Net sales										
Sales to external customers	42,918	14,593	4,494	16,358	37,233	115,598	2,965	118,563	—	118,563
Intersegment sales/transfers	110	533	262	4	117	1,028	735	1,764	(1,764)	—
Total	43,028	15,126	4,757	16,362	37,351	116,626	3,701	120,327	(1,764)	118,563
Segment loss (-)	(38,336)	(3,559)	(5,868)	(2,712)	(10,264)	(60,741)	(981)	(61,723)	(2,335)	(64,058)
Segment assets	131,363	38,135	92,456	56,655	20,394	339,004	12,694	351,699	59,748	411,447
Others										
Depreciation	3,835	2,120	3,293	1,865	494	11,609	278	11,888	414	12,302
Amortization of goodwill	661	—	17	—	45	723	93	817	—	817
Investment in entities accounted for using equity method	328	—	—	—	—	328	0	328	—	328
Increase in property, plant and equipment and intangible assets	2,262	1,798	10,694	1,061	1,967	17,784	370	18,155	21	18,177

(Notes) 1. "Other" refers to business segments such as the non-life insurance business and real estate business, etc. not included in the reportable segments.

2． The details of "Adjustments" are as follows:

(1) Adjustment on segment loss (-) amounting to -2,335 million yen reflects corporate-wide expenses not allocated to each reportable segment, and refers to expenses at the parent company's headquarter administration division, which are not attributable to reportable segments.

(2) Adjustment on segment assets amounting to 59,748 million yen includes -468 million yen in elimination of intersegment transactions, and corporate-wide assets of 60,216 million yen not allocated to each reportable segment. Corporate-wide assets refer to surplus fund management (cash and deposits, and securities) at the parent company, and assets of the administration division.

(3) Adjustment on depreciation amounting to 414 million yen is corporate-wide expenses not allocated to each reportable segment, and refers to depreciation at the parent company's headquarter administration division, which is not attributable to the reportable segments.

(4) Adjustment on increase in property, plant and equipment and intangible assets amounting to 21 million yen is capital investment at the parent company, which is not attributable to the reportable segments.

3． Segment loss (-) is adjusted with the operating loss in the consolidated financial statements.

4． EBITDA for each reportable segment is presented below.

(Millions of yen)

	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Other	Total
Segment loss (-)	(38,336)	(3,559)	(5,868)	(2,712)	(10,264)	(981)	(61,723)
Depreciation and goodwill amortization	4,496	2,120	3,310	1,865	540	372	12,705
EBITDA (Note)	(33,840)	(1,439)	(2,557)	(846)	(9,723)	(609)	(49,017)

(Note) EBITDA reflects segment loss (-) plus depreciation and goodwill amortization.

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

(Millions of yen)

	Reportable segments						Other (Note 1)	Total	Adjustments (Note 2)	Amount on consolidated financial statements (Note 3)
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Total				
Net sales										
Sales to external customers	67,328	20,644	8,931	17,948	24,288	139,142	3,652	142,794	—	142,794
Intersegment sales/transfers	364	580	275	11	87	1,320	663	1,983	(1,983)	—
Total	67,693	21,225	9,207	17,960	24,376	140,463	4,315	144,778	(1,983)	142,794
Segment profit or loss (-)	(28,629)	183	(4,122)	(1,554)	(9,978)	(44,102)	(1,402)	(45,505)	(2,429)	(47,934)
Segment assets	119,301	5,666	95,555	54,033	537	275,095	6,735	281,830	133,153	414,984
Others										
Depreciation	3,416	2,057	3,918	1,864	557	11,814	224	12,039	372	12,411
Amortization of goodwill	580	—	11	—	45	637	49	686	—	686
Investment in entities accounted for using equity method	410	—	—	—	—	410	0	410	—	410
Increase in property, plant and equipment and intangible assets	2,682	1,705	4,606	474	16	9,484	516	10,001	—	10,001

(Notes) 1. "Other" refers to business segments such as the non-life insurance business and real estate business, etc. not included in the reportable segments.

2. The details of "Adjustments" are as follows:

(1) Adjustment on segment profit or loss (-) amounting to -2,429 million yen reflects corporate-wide expenses not allocated to each reportable segment, and refers to expenses at the parent company's headquarter administration division, which are not attributable to reportable segments.

(2) Adjustment on segment assets amounting to 133,153 million yen includes -741 million yen in elimination of intersegment transactions, and corporate-wide assets of 133,895 million yen not allocated to each reportable segment. Corporate-wide assets refer to surplus fund management (cash and deposits, and securities) at the parent company, and assets of the administration division.

(3) Adjustment on depreciation amounting to 372 million yen is corporate-wide expenses not allocated to each reportable segment, and refers to depreciation at the parent company's headquarter administration division, which is not attributable to the reportable segments.

3. Segment profit or loss (-) is adjusted with the operating loss in the consolidated financial statements.

4. EBITDA for each reportable segment is presented below.

(Millions of yen)

	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Other	Total
Segment profit or loss (-)	(28,629)	183	(4,122)	(1,554)	(9,978)	(1,402)	(45,505)
Depreciation and goodwill amortization	3,996	2,057	3,930	1,864	602	273	12,725
EBITDA (Note)	△24,632	2,240	△192	309	△9,376	△1,129	△32,779

(Note) EBITDA reflects segment profit or loss (-) plus depreciation and goodwill amortization.

Related information

Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)

1．Information by product and service

This information has been omitted because similar information is included under the "Segment information, etc." section.

2．Information by region

(1) Net sales

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
105,522	6,692	3,310	54	2,983	118,563

(2) Property, plant and equipment

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
171,097	7,723	15,803	9	6,657	201,291

3．Information by major customer

This information has been omitted as there were no sales from a single external customer accounting for 10% or more of net sales on the consolidated statement of income.

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

1．Information by product and service

This information has been omitted because similar information is included under the "Segment information, etc." section.

2．Information by region

(1) Net sales

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
121,458	12,534	3,361	△45	5,486	142,794

(2) Property, plant and equipment

(Millions of yen)

Japan	Americas	Asia	Oceania	Europe, Middle East, Africa	Total
139,172	10,590	15,548	13	5,031	170,356

3．Information by major customer

This information has been omitted as there were no sales from a single external customer accounting for 10% or more of net sales on the consolidated statement of income.

[Information regarding impairment losses on non-current assets by reportable segment]
Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)

(Millions of yen)

	Reportable segments						Other (Note)	Unallocated amounts and elimination	Total
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Total			
Impairment losses	2,039	135	18	―	243	2,437	22	―	2,459

(Note) "Other" indicates figures for the non-life insurance and real estate businesses, etc.

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

(Millions of yen)

	Reportable segments						Other (Note)	Unallocated amounts and elimination	Total
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Total			
Impairment losses	1,982	790	174	683	13	3,645	377	―	4,022

(Note) "Other" indicates figures for the non-life insurance and real estate businesses, etc.

[Information regarding amortization of goodwill and unamortized balance by reportable segment]
Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)

(Millions of yen)

	Reportable segments						Other (Note)	Unallocated amounts and elimination	Total
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Total			
Amortization during period	661	―	17	―	45	723	93	―	817
Balance at end of period	3,740	―	52	―	361	4,154	466	―	4,621

(Note) "Other" indicates figures for the non-life insurance and real estate businesses, etc.

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

(Millions of yen)

	Reportable segments						Other (Note)	Unallocated amounts and elimination	Total
	Travel Business	Theme Park Business	Hotel Business	Kyushu Sanko Group	Energy Business	Total			
Amortization during period	580	―	11	―	45	637	49	―	686
Balance at end of period	2,305	―	22	―	―	2,328	40	―	2,369

(Note) "Other" indicates figures for the non-life insurance and real estate businesses, etc.

[Information regarding gain on bargain purchase by reportable segment]
Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)
There were no significant gains on bargain purchase to report.

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)
There were no significant gains on bargain purchase to report.

Related parties

1. Transactions with related parties

(1) Transactions between the Filing Company and related parties

(a) Non-consolidated subsidiaries of the Filing Company

Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)

There are no applicable matters to report.

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

There are no applicable matters to report.

(b) Directors (and other officers) and major shareholders of the Filing Company, etc. (only in the case of individuals)

Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)

Category	Name	Location	Paid-in capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction value (millions of yen)	Item	Balance at end of period (millions of yen)
Directors (and other officers) of the Company or their relatives	Hideo Sawada	—	—	Representative Director of the Company	(Held) Direct 25.7	—	Collection of funds (Note 1)	1,795	—	—
							Receipt of interest (Note 1)	3	—	—
							Exercise of share acquisition rights (Note 2)	3,748	—	—

Conditions of transactions and policy for determining such conditions, etc.

(Notes) 1. Received through the collection of funds and interest by Mr. Sawada, the guarantor, based on an agreement with a third party.
In addition, the conditions of the transactions under this agreement are determined in the same way as conditions for general transactions.

2. The exercise of share acquisition rights shows the portion of the share acquisition rights granted through a resolution of the Board of Directors at the meeting held on October 2, 2020 that was exercised in the current consolidated fiscal year.
In addition, the transaction value column shows the amount obtained by multiplying the number of shares granted through the exercise of the share acquisition rights in the current consolidated fiscal year by the amount payable.

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

There are no applicable matters to report.

(2) Transactions between consolidated subsidiaries of the Filing Company and related parties

Directors (and other officers) and major shareholders of the Filing Company, etc. (only in the case of individuals)

Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)

Category	Name	Location	Paid-in capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction value (millions of yen)	Item	Balance at end of period (millions of yen)
Entities in which Directors (and other officers) of the Company or their relatives hold a majority of voting rights (including subsidiaries of such entities)	Kyoritsu Building Co., Ltd.	Shibuya-ku, Tokyo	10	Real estate rental management	—	Real estate leasing	Payment of rent (Notes 1, 2)	19	Prepaid expenses	0
Officer of the parent company	Hideo Sawada	—	—	Director of the parent company	—	—	Collection of funds (Note 3)	1,373	—	—
							Receipt of interest (Note 3)	2	—	—

Conditions of transactions and policy for determining such conditions, etc.

(Notes) 1. Transactions are governed by the same conditions as for unrelated parties.

2. The Company's representative director Hideo Sawada and his near relative own 100.0% of the voting rights of Kyoritsu Building, Co., Ltd.

3. Received through the collection of funds and interest by Mr. Sawada, the guarantor, based on an agreement with a third party. In addition, the conditions of the transactions under this agreement are determined in the same way as conditions for general transactions.

Current consolidated fiscal year (From November 1, 2021 to October 31, 2022)

Category	Name	Location	Paid-in capital or investment (millions of yen)	Business description	Share of voting rights held (%)	Relationship with related parties	Nature of transactions	Transaction value (millions of yen)	Item	Balance at end of period (millions of yen)
Entities in which Directors (and other officers) of the Company or their relatives hold a majority of voting rights (including subsidiaries of such entities)	Kyoritsu Building Co., Ltd.	Shibuya-ku, Tokyo	10	Real estate rental management	—	Real estate leasing	Payment of rent (Notes 1, 2)	10	Prepaid expenses	0

Conditions of transactions and policy for determining such conditions, etc.

(Notes) 1. Transactions are governed by the same conditions as for unrelated parties.

2. The Company's representative director Hideo Sawada and his near relative own 100.0% of the voting rights of Kyoritsu Building, Co., Ltd.

2. Notes concerning the parent company and significant associates

(1) Information regarding the parent company

There are no applicable matters to report.

(2) Summary of financial information for significant associates

There are no applicable matters to report.

[Per share information]

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (November 1, 2021 to October 31, 2022)
Net assets per share	580.00 yen	641.24 yen
Earnings (loss) per share	(749.86 yen)	(130.00 yen)

(Notes) 1. Although there were dilutive shares, diluted earnings per share are not stated due to the recording of a loss per share.
2. As stated in the notes on "(Changes in accounting policies)," Revenue Recognition Accounting Standards are applied.
3. The basis of calculation for earnings (loss) per share is shown below.

	Previous consolidated fiscal year (November 1, 2020 to October 31, 2021)	Current consolidated fiscal year (November 1, 2021 to October 31, 2022)
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (millions of yen)	(50,050)	(9,547)
Amount not attributable to common shareholders (millions of yen)	—	—
Profit (loss) attributable to owners of parent with respect to common stock (millions of yen)	(50,050)	(9,547)
Average number of shares during the fiscal year (thousand shares)	66,745	73,436

⑤ Consolidated Supplementary Financial Schedules

Schedule of corporate bonds

Company name	Issues	Issue date	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Interest rate (%)	Collateral	Maturity date
H.I.S. Co., Ltd.	Euro-Yen Denominated convertible bond-type bonds with Share Acquisition Rights due 2024 (Note 1)	November 16, 2017	25,054	25,036	—	None	November 15, 2024
H.I.S. Co., Ltd.	Third series unsecured bonds	February 20, 2017	15,000	15,000	0.440	None	February 20, 2024
H.I.S. Co., Ltd.	Fourth series unsecured bonds	February 20, 2017	5,000	5,000	0.580	None	February 19, 2027
Total	—	—	45,054	45,036	—	—	—

(Notes) 1. An overview of bonds with share acquisition rights is shown below.

Shares to be issued	Common stock
Issue price of share acquisition rights (yen)	No charge
Issue price of new shares (yen)	5,465.2
Total issue amount (millions of yen)	25,000
Total issue amount for shares issued upon exercise of share acquisition rights (millions of yen)	—
Percentage of share acquisition rights granted	100
Exercise period of share acquisition rights	From November 30, 2017 to November 1, 2024

When receiving a request from a person who intends to exercise the share acquisition rights above, in place of a payment owed to such person at maturity of bonds attached to the share acquisition rights, it will be deemed that such person has paid in full the amount payable upon exercise of the rights. When share acquisition rights are exercised, it shall be deemed that such a request has been received.

３． Redemption amounts within five years of the consolidated closing date are shown below.

1 year or less (millions of yen)	Over 1 year to 2 years (millions of yen)	Over 2 years to 3 years (millions of yen)	Over 3 years to 4 years (millions of yen)	Over 4 years to 5 years (millions of yen)
－	15,000	25,000	－	5,000

Schedule of borrowings, etc.

Classification	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	28,240	28,555	0.77	―
Current portion of long-term borrowings	4,557	32,156	0.37	―
Current portion of lease obligations	2,454	2,646	―	―
Long-term borrowings (excluding current portion))	184,643	156,727	0.92	2023-2041
Lease obligations (excluding current portion)	12,410	11,635	―	2023-2041
Other interest-bearing debt	―	―	―	―
Total	232,306	231,722	―	―

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance of borrowings at the end of the fiscal year.

2. The average interest rate for lease obligations is not shown, as lease obligations recorded on the consolidated balance sheet are amounts prior to the deduction of the interest expense equivalent, which is included in total leasing fees.

3. Repayment amounts within five years of the consolidated closing date for long-term borrowings and lease obligations (excluding current portions) are shown below.

	Over 1 year to 2 years (millions of yen)	Over 2 years to 3 years (millions of yen)	Over 3 years to 4 years (millions of yen)	Over 4 years to 5 years (millions of yen)
Long-term borrowings	32,306	2,223	43,308	5,417
Lease obligations	2,296	1,836	1,552	1,393

Schedule of asset retirement obligations

Asset retirement obligations at the beginning and end of the current consolidated fiscal year are below 1% of the total liabilities and net assets at the beginning and end of the fiscal year ended October 31, 2022. The information is therefore omitted in accordance with the provisions in Article 92, Paragraph 2 of the Consolidated Financial Statement Regulations.

(2) Others

Quarterly information for the current consolidated fiscal year

[Cumulative period]	First quarter	Second quarter	Third quarter	Current consolidated fiscal year
Net sales (millions of yen)	33,588	68,491	99,940	142,794
Profit (loss) before income taxes (millions of yen)	(8,240)	(23,357)	(31,696)	(8,222)
Profit (loss) attributable to owners of parent (millions of yen)	(9,299)	(26,911)	(33,263)	(9,547)
Quarterly (current) net loss per share (yen)	(128.66)	(368.67)	(453.92)	(130.00)

[Quarterly period]	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings (loss) per share (yen)	(128.66)	(238.17)	(85.90)	320.71

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

① Non-consolidated Balance Sheet

(Millions of yen)

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Assets		
Current assets		
Cash and deposits	40,687	87,088
Accounts receivable - trade	2,797	4,380
Trade accounts receivable	12	137
Travel advance payments	2,854	4,744
Prepaid expenses	606	573
Accrued income	182	189
Short-term loans receivable	158	132
Short-term loans receivable from subsidiaries and associates	255	1,368
Accounts receivable - other	1,800	11,790
Other	1,176	3,616
Allowance for doubtful accounts	(214)	(545)
Total current assets	50,318	113,477
Non-current assets		
Property, plant and equipment		
Buildings	※1 12,047	※1 9,939
Vehicles	0	0
Tools, furniture and fixtures	337	280
Land	※1 28,787	※1 24,915
Construction in progress	11	54
Other	6	27
Total property, plant and equipment	41,190	35,217
Intangible assets		
Trademark right	32	30
Telephone subscription right	82	82
Software	1,708	1,584
Other	12	19
Total intangible assets	1,835	1,716
Investments and other assets		
Investment securities	3,618	1,510
Shares of subsidiaries and associates	60,144	56,508
Investments in capital of subsidiaries and associates	1,331	1,303
Long-term loans receivable	51	—
Long-term loans receivable from subsidiaries and associates	94,941	76,605
Long-term prepaid expenses	37	21
Deferred tax assets	4,689	3,014
Guarantee deposits	17,337	17,214
Distressed receivables	766	457
Other	133	4
Allowance for doubtful accounts	(13,243)	(5,762)
Total investments and other assets	169,807	150,878
Total non-current assets	212,833	187,812
Deferred assets		
Share issuance costs	178	113
Bond issuance costs	55	44
Total deferred assets	233	157
Total assets	263,385	301,447

(Millions of yen)

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Liabilities		
Current liabilities		
Trade accounts payable	1,809	3,398
Short-term borrowings	20,000	20,000
Short-term borrowings from subsidiaries and associates	9,337	500
Current portion of long-term borrowings	3,000	30,000
Accounts payable - other	994	4,053
Accrued expenses	1,641	1,075
Income taxes payable	58	―
Travel advance received	5,455	10,157
Insurance deposits	28	210
Gift certificates	6,594	6,247
Provision for bonuses	8	563
Other	2,232	4,928
Total current liabilities	51,160	81,136
Non-current liabilities		
Bonds payable	※6 20,000	※6 20,000
Convertible bond-type bonds with share acquisition rights	※6 25,054	※6 25,036
Long-term borrowings	※1,※5 154,904	※1,※5 127,904
Provision for retirement benefits	4,193	4,148
Long-term guarantee deposits	126	3
Other	683	581
Total non-current liabilities	204,962	177,674
Total liabilities	256,123	258,810
Net assets		
Shareholders' equity		
Share capital	21,048	100
Capital surplus		
Legal capital surplus	13,709	25
Other capital surplus	―	28,761
Total capital surplus	13,709	28,786
Retained earnings		
Legal retained earnings	246	246
Other retained earnings		
General reserve	15,565	15,565
Retained earnings brought forward	(29,174)	12,270
Total retained earnings	(13,363)	28,081
Treasury shares	(15,004)	(14,972)
Total shareholders' equity	6,389	41,995
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	714	241
Total valuation and translation adjustments	714	241
Share acquisition rights	158	399
Total net assets	7,262	42,636
Total liabilities and net assets	263,385	301,447

② Non-consolidated Statement of Income

(Millions of yen)

	Previous fiscal year (November 1, 2020 to October 31, 2021)	Current fiscal year (From November 1, 2021 to October 31, 2022)
Net sales		
Overseas travel sales	4,926	6,909
Domestic travel sales	17,733	29,100
Other	4,033	3,957
Total net sales	※2 26,694	※2 39,967
Cost of sales		
Cost of overseas travel sales	3,698	4,136
Cost of domestic travel sales	15,064	23,724
Other	2,111	1,392
Total cost of sales	※2 20,875	※2 29,253
Gross profit	5,819	10,713
Selling, general and administrative expenses	※1 28,064	※1 31,249
Operating profit (loss)	(22,245)	(20,536)
Non-operating income		
Interest income	466	514
Dividends received	2,734	3,881
Foreign exchange gains	249	368
Other	154	105
Total non-operating income	※2 3,604	※2 4,869
Non-operating expenses		
Interest expenses	940	1,636
Commission expenses	349	366
Other	314	301
Total non-operating expenses	※2 1,604	※2 2,305
Ordinary profit (loss)	(20,245)	(17,971)
Extraordinary income		
Gain on sale of non-current assets	969	1,222
Gain on sale of investment securities	684	1,342
Gain on sale of shares of subsidiaries and associates	378	※3 64,660
Subsidy income	※4 10,916	※4 6,093
Total extraordinary income	12,948	73,318
Extraordinary losses		
Impairment losses	※5 256	※5 110
Loss on valuation of investment securities	898	—
Loss on valuation of shares of subsidiaries and associates	※6 4,897	※6 2,329
Loss on sale of shares of subsidiaries and associates	—	※7 18,954
Provision of allowance for doubtful accounts	※8 10,911	※8 2,771
Losses from downtime	※9 3,324	※9 1,244
Total extraordinary losses	20,289	25,410
Profit (loss) before income taxes	(27,586)	29,936
Income taxes - current	74	79
Income taxes - deferred	2,247	1,884
Total income taxes	2,321	1,964
Profit (loss)	(29,908)	27,971

③ Non-consolidated Statement of Changes in Equity

Previous fiscal year (November 1, 2020 to October 31, 2021)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	15,000	7,661	—	7,661	246	27,565	(11,257)	16,554
Cumulative effect of changes in accounting policies								—
Related balance	15,000	7,661	—	7,661	246	27,565	(11,257)	16,554
Changes during period								
Issuance of new shares	6,048	6,048		6,048				
Capital reduction								
Deficit disposition								
Reversal of general reserve						△12,000	12,000	—
Profit (loss)							(29,908)	(29,908)
Purchase of treasury shares								
Disposal of treasury shares							(9)	(9)
Net changes in items other than shareholders' equity								
Total changes during period	6,048	6,048	—	6,048	—	(12,000)	(17,917)	(29,917)
Balance at end of period	21,048	13,709	—	13,709	246	15,565	(29,174)	(13,363)

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(15,204)	24,010	488	0	488	178	24,677
Cumulative effect of changes in accounting policies		—					—
Related balance	(15,204)	24,010	488	0	488	178	24,677
Changes during period							
Issuance of new shares		12,097					12,097
Capital reduction		—					—
Deficit disposition		—					—
Reversal of general reserve		—					—
Profit (loss)		(29,908)					(29,908)
Purchase of treasury shares	(0)	(0)					(0)
Disposal of treasury shares	200	190					190
Net changes in items other than shareholders' equity			226	(0)	225	(20)	205
Total changes during period	200	(17,620)	226	(0)	225	(20)	(17,414)
Balance at end of period	(15,004)	6,389	714	—	714	158	7,262

Current fiscal year(from November 1, 2021 to October 31, 2022)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	21,048	13,709	—	13,709	246	15,565	(29,174)	(13,363)
Cumulative effect of changes in accounting policies				—			109	109
Related balance	21,048	13,709	—	13,709	246	15,565	(29,065)	(13,254)
Changes during period								
Issuance of new shares	3,750	3,750		3,750				
Capital reduction	(24,698)	(17,434)	42,133	24,698				
Deficit disposition			(13,363)	(13,363)			13,363	13,363
Reversal of general reserve								
Profit (loss)							27,971	27,971
Purchase of treasury shares								
Disposal of treasury shares			(8)	(8)				
Net changes in items other than shareholders' equity								
Total changes during period	(20,948)	(13,684)	28,761	15,076	—	—	41,335	41,335
Balance at end of period	100	25	28,761	28,786	246	15,565	12,270	28,081

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(15,004)	6,389	714	—	714	158	7,262
Cumulative effect of changes in accounting policies		109					109
Related balance	(15,004)	6,498	714	—	714	158	7,371
Changes during period							
Issuance of new shares		7,500					7,500
Capital reduction		—					—
Deficit disposition		—					—
Reversal of general reserve		—					—
Profit (loss)		27,971					27,971
Purchase of treasury shares	(0)	(0)					(0)
Disposal of treasury shares	32	24					24
Net changes in items other than shareholders' equity			(473)		(473)	241	(231)
Total changes during period	32	35,496	△473	—	△473	241	35,264
Balance at end of period	(14,972)	41,995	241	—	241	399	42,636

[Notes]

[Significant accounting policies]

1．Valuation standard and method for securities

(1) Shares of subsidiaries and associates and investments in capital of subsidiaries and associates

Stated at cost using the moving average method.

(2) Available-for-sale securities

① Securities with a determinable fair market value

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

② Securities without a determinable fair market value

Stated at cost using the moving average method.

2．Valuation standard and method for derivatives

Stated at fair market value.

3．Depreciation method for non-current assets

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

The straight-line method is applied for buildings (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016, and the declining balance method for other property, plant and equipment.

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

Buildings	3-50 years
Tools, furniture and fixtures	3-20 years

(2) Intangible assets (excluding leased assets)

The straight-line method is applied.

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

(3) Leased assets

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

(4) Long-term prepaid expenses

The straight-line method is applied.

4．Accounting method for deferred assets

(1) Share issuance costs

Share issuance costs are amortized by the straight-line method over three years.

(2) Bond issuance costs

Bond issuance costs are amortized in equal amounts over the period through redemption.

5．Standard for translation of foreign currency-denominated assets or liabilities into Japanese yen

Monetary claims and liabilities denominated in foreign currency are translated into yen at the spot exchange rate prevailing on the fiscal closing date, and the difference arising from such translation is recorded as profit or losses.

6．Accounting standards for provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for retirement benefits

To prepare for retirement benefit payments to employees, a provision for retirement benefits is recorded in the amount based on the retirement benefit obligation at the end of the current fiscal year.

Actuarial gains or losses are treated as a lump-sum expense in the fiscal year following the year in which they arise.

7．Accounting standard for recognition of revenues and expenses

The details of the main performance obligations related to revenue arising from contracts with customers of the Company and the usual timing of satisfying such performance obligations (ordinary timing of recognizing revenue) are as follows.

① Own company's package tour products

Given that there is an obligation to arrange and manage trips so that customers can receive transportation, accommodation, and other travel-related services provided by transportation and accommodation facilities, etc. according to the itinerary set by the Company, revenue is recognized over the duration of the trip.

② Agent sales of arranged tour, etc.

There is an obligation to make arrangements so that travelers can receive transportation, accommodation and other travel-related services provided by transportation, accommodation and other transport-related facilities, etc. Therefore, revenue is recognized based on the date of completion of arrangements, and as an agency transaction, revenue is recognized as the net amount received from the customer less the amount paid to the supplier.

8. Hedging methods

(1) Hedging methods

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

(2) Hedging instruments and hedged items

a. Hedging instruments: Forward exchange contracts
Hedging items: Foreign currency-denominated trade accounts payable, foreign currency-denominated accounts payable

b. Hedging instruments: Interest rate swaps
Hedged items: Borrowings

(3) Hedging policy

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

(4) Evaluation of hedge effectiveness

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

9. Other significant matters for the preparation of non-consolidated financial statements

Accounting method for retirement benefits

Unrecognized actuarial differences, unrecognized prior service cost, and unsettled differences arising from transitional obligations related to retirement benefits are accounted for using a different method than in the consolidated financial statements.

[Significant accounting estimates]

1. Impact of the COVID-19 pandemic

Although it is still unclear when the COVID-19 pandemic situation will return to normal, travel restrictions worldwide are returning to their pre-pandemic state.

In the Travel Business, domestic travel demand is expected to recover in general in FY2023, and overseas travel demand is expected to recover gradually.

In light of the above, the Company expects its net sales to broadly recover to FY2019 levels in FY2024.

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

2. Recoverability of deferred tax assets

(1) Amount recorded in non-consolidated financial statements

(Millions of yen)

	Previous fiscal year	Current fiscal year
Deferred tax assets	4,689	3,014

(2) Other information related to estimates

i) Calculation method for the amount recorded in non-consolidated financial statements in the current fiscal year

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

ii) Main assumptions used in calculation of the amount recorded in non-consolidated financial statements in the current fiscal year

In determining the recoverability of deferred tax assets in the current fiscal year, the Company has taken into account the impact of the COVID-19 pandemic. It has estimated future taxable income based on the future plans of the Company, which are predicated on key assumptions such as when the pandemic will settle down and the number of travelers at such a time in the future.

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

If actual market conditions, the timing when the pandemic settles down, the number of travelers at such a time, or other factors worsen beyond the estimates of the management of the Company going forward, this may result in a reversal of deferred tax assets, and have an impact on the financial position and management performance of the Company.

3． Impairment of non-current assets

(1) Amount recorded in non-consolidated financial statements

(Millions of yen)

	Previous fiscal year	Current fiscal year
Property, plant and equipment	41,190	35,217
Intangible assets	1,835	1,716

(2) Other information related to estimates

i) Calculation method for the amount recorded in non-consolidated financial statements in the current fiscal year

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

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

ii) Main assumptions used in calculation of the amount recorded in non-consolidated financial statements in the current fiscal year

In determining whether indications of impairment of non-current assets were in the current fiscal year, the Company has taken into account the impact of the COVID-19 pandemic. It has estimated undiscounted future cash flows based on its future plans, which is predicated on key assumptions such as the timing when the pandemic will settle down and the number of travelers at such a time in the future.

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

If actual market conditions, the timing when the pandemic settles down, the number of travelers at such a time, or other factors worsen beyond the estimates of the management of the Company going forward, this may result in the booking of impairment losses, and have an impact on the financial position and management performance of the Company.

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

(1) Amount recorded in non-consolidated financial statements

(Millions of yen)

	Previous fiscal year	Current fiscal year
Shares of subsidiaries and associates	60,144	56,508
Investments in capital of subsidiaries and associates	1,331	1,303
Short-term loans receivable from subsidiaries and associates	255	1,368
Long-term loans receivable from subsidiaries and associates	94,941	76,605
Allowance for doubtful accounts related to the above	(12,642)	(5,285)

(2) Other information related to estimates

i) Calculation method for the amount recorded in non-consolidated financial statements in the current fiscal year

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

ii) Main assumptions used in calculation of the amount recorded in non-consolidated financial statements in the current fiscal year

In valuing investments in and loans issued to subsidiaries and associates in the current fiscal year, the Company has taken into account the impact of the COVID-19 pandemic. It has valued the recoverability of its shareholdings and investments in and its loans receivable issued to subsidiaries and associates based on the future plans of such subsidiaries and associates, which are predicated on key assumptions such as when the pandemic is expected to settle down.

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

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

[Changes in accounting policy]

1．Accounting Standard for Revenue Recognition

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan hereinafter, the “Revenue Recognition Accounting Standard”) has been applied from the beginning of the current fiscal year, and when control of the promised goods or services is transferred to the customer, revenue will be recognized as the amount expected to be received in exchange for the goods or services. The main changes due to the application of the Revenue Recognition Accounting Standard are as follows.

In sales transactions of travel products, etc., revenue was previously recognized based on the date of departure. However, for arranged tour transactions, the method of recognizing revenue has been changed to recognize revenue based on the date on which arrangements are completed, while for package tours the method of recognizing revenue has been changed to recognize revenue throughout the travel period.

In addition, in arranged tour transactions, the total amount of consideration received from customers was previously recognized as revenue. However, as an agency transaction, the method of recognizing revenue has been changed to recognize net revenue from the amount received from the customer less the amount paid to the supplier.

The application of Revenue Recognition Accounting Standards is in accordance with the transitional measures stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The new accounting policy is applied from the balance at the beginning of the current fiscal year, by adding or subtracting any cumulative impact amount (in case of retroactive application of the new accounting policy before the beginning of the current fiscal year) from retained earnings at the beginning of the current fiscal year. However, by applying the method stipulated in paragraph 86 of the Revenue Recognition Standards, the new accounting policy is not retroactively applied to contracts for which almost all amounts of revenue were recognized in accordance with the previous policy before the beginning of the current fiscal year.

As a result, compared to before the application of the Revenue Recognition Accounting Standards, the balance sheet for the fiscal year ended October 31, 2022 showed decreases in accounts receivable (5,273 million yen), travel advance payments (8,722 million yen), operating accounts payable (2,326 million yen), advance receipts for travel (11,789 million yen), and gift certificates (64 million yen), while increases were seen in accounts receivable (5,276 million yen), accounts payable (2,326 million yen), and other current liabilities (2,519 million yen).

The income statement for the current fiscal year shows a decrease in sales (35,894 million yen), cost of sales (36,394 million yen), and operating loss and ordinary loss (500 million yen), while there was an increase in revenue before income taxes (500 million yen). The balance at the beginning of the period of retained earnings carried forward showed an increase (109 million yen). The impact on net assets per share and earnings per share is negligible.

2．Application of Accounting Standard for Fair Value Measurement, etc.

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan; hereinafter, the “Fair Value Accounting Standards”) has been applied from the beginning of the current fiscal year, and the new accounting policies stipulated by the Fair Value Accounting Standards are being applied going forwards in accordance with the transitional measures stipulated in paragraph 19 of the Fair Value Accounting Standards and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan). There is no effect on the financial statements.

[Non-consolidated balance sheet]

※1. Assets and liabilities recognized as financial transactions

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

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Buildings	7,917 million yen	7,754 million yen
Land	24,445	24,445
Long-term borrowings	32,404	32,404

2. Contingent liabilities

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

Previous fiscal year (As of October 31, 2021)		Current fiscal year (As of October 31, 2022)	
Green World Hotels Co., Ltd.	460 million TWD (1,876 million yen)	Green World Hotels Co., Ltd.	420 million TWD (1,944 million yen)
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	311 million yen 20 million TRY 414,000 USD (596 million yen)	Japan Holiday Co., Ltd. Travel	1,850 million yen
H.I.S. Hotel Holdings Co., Ltd.	235 million yen	HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	691 million yen 20 million TRY 1 million USD (999 million yen)
H.I.S. Tours Co., Ltd.	50 million THB (171 million yen)	FLY HUB TRAVEL PTE. LTD.	7 million SGD (735 million yen)
FLY HUB TRAVEL PTE. LTD.	1.5 million SGD (126 million yen)	Miki Tourist Co., Ltd.	400 million yen 200,000 USD (429 million yen)
Merit Travel Group Inc.	1.2 million CAD (110 million yen)	H.I.S. Hotel Holdings Co., Ltd.	235 million yen
H.I.S. - MERIT TRAVEL INC.	1 million CAD (91 million yen)	H.I.S. Tours Co., Ltd.	50 million THB (195 million yen)
H.I.S. INTERNATIONAL TOURS (NY) INC.	640,000 USD (72 million yen)	Merit Travel Group Inc.	1.2 million CAD (130 million yen)
HAWAII HIS CORPORATION	340,000 USD (38 million yen)	H.I.S. - MERIT TRAVEL INC.	1 million CAD (108 million yen)
HIS INTERNATIONAL TOURS FRANCE SAS	273,000 EUR (36 million yen)	H.I.S. INTERNATIONAL TOURS (NY) INC.	640,000 USD (94 million yen)
H.I.S. Management Consulting DMCC	250,000 USD (28 million yen)	HAWAII HIS CORPORATION	420,000 USD (62 million yen)
H.I.S. CANADA INC.	234,000 CAD (21 million yen)	H.I.S. Deutschland Touristik GmbH	396,000 EUR (58 million yen)
HIS (HONG KONG) COMPANY LIMITED	1.04 million HKD (15 million yen)	HIS INTERNATIONAL TOURS FRANCE SAS	273,000 EUR (40 million yen)
HIS TRAVEL & TOURISM L.L.C.	100,000 EUR (13 million yen)	H.I.S. Management Consulting DMCC	250,000 USD (37 million yen)
H.I.S. Travel Nederland B.V.	55,000 EUR (7 million yen)	H.I.S. TRAVEL (MALAYSIA) SDN BHD.	800,000 MYR (25 million yen)
H.I.S. TRAVEL (MALAYSIA) SDN BHD.	250,000 MYR (6 million yen)	HIS TRAVEL & TOURISM L.L.C.	100,000 EUR (14 million yen)
H.I.S. (MACAU) TRAVEL COMPANY LIMITED	230,000 HKD (3 million yen)	H.I.S. CANADA INC.	94,000 CAD (10 million yen)
		H.I.S. Travel Nederland B.V.	55,000 EUR (8 million yen)

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

Previous fiscal year (As of October 31, 2021)		Current fiscal year (As of October 31, 2022)	
・Guarantee with specified amount		・Guarantee with specified amount	
QUALITA Co., Ltd.	35 million yen	QUALITA Co., Ltd.	20 million yen
HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	2 million USD (227 million yen)	HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI	2 million USD (296 million yen)
H.I.S. Co., Ltd. Okinawa	22 million yen	H.I.S. Co., Ltd. Okinawa	22 million yen
HTB Energy Co., Ltd.	2,130 million yen	H.I.S. SUPER Power Co., Ltd.	720 million yen
H.I.S. SUPER Power Co., Ltd.	720 million yen	TOUR WAVE CO., LTD.	10 million yen
TOUR WAVE CO., LTD.	10 million yen		
・Guarantee without specified amount		・Guarantee without specified amount	
QUALITA Co., Ltd.	Payment guarantee for trade payables	QUALITA Co., Ltd.	Payment guarantee for trade payables
LY-HIS Co., Ltd.	Payment guarantee for trade payables	LY-HIS Co., Ltd.	Payment guarantee for trade payables
H.I.S. Okinawa Co., Ltd.	Payment guarantee for trade payables	H.I.S. Okinawa Co., Ltd.	Payment guarantee for trade payables
HTB Energy Co., Ltd.	Payment guarantee for trade payables	H.I.S. Management Consulting DMCC	Payment guarantee for trade payables
FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables	FLY HUB TRAVEL PTE. LTD.	Payment guarantee for trade payables
H.I.S. Okinawa Co., Ltd.	Payment guarantee for office rent, etc.	H.I.S. Okinawa Co., Ltd.	Payment guarantee for office rent, etc.
H.I.S. Hotel Holdings Co., Ltd.	Payment guarantee for business-use leasehold interest	H.I.S. Hotel Holdings Co., Ltd.	Payment guarantee for business-use leasehold interest
HTB Energy Co., Ltd.	Payment guarantee for office rent, etc.	H.I.S. SUPER Power Co., Ltd.	Payment guarantee for foreign exchange futures transactions, etc.
H.I.S. SUPER Power Co., Ltd.	Payment guarantee for foreign exchange futures transactions, etc.		

3. Monetary claims and obligations to subsidiaries and associates (excluding those separately disclosed)

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Short-term monetary claims	669 million yen	890 million yen
Long-term monetary claims	157	47
Short-term monetary obligations	602	2,145

4. Committed credit line agreements

The Company concluded commitment credit line agreements with three banks to ensure efficient and stable procurement of working capital. Unexecuted borrowings, etc. based on committed credit line agreements are shown below.

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Committed credit line limits (total)	33,000 million yen	33,000 million yen
Outstanding borrowings	—	—
Difference	33,000	33,000

※5. Financial covenants

Syndicated loans

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

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

As of October 31, 2022, there was an infringement of the above financial covenant ②, but constructive discussions have been held with financial institutions participating in syndicated loans (including agents), and close relationships are maintained, so it is anticipated that their support will continue to be received.

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

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Long-term borrowings	34,500 million yen	34,500 million yen

※6. Notable covenants attached to other obligations

(1) Unsecured bonds

Ensure the following two scenarios do not apply.

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

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

The balance of the applicable unsecured bonds is shown below.

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Bonds payable (including current portion)	20,000 million yen	20,000 million yen

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

Ensure the following scenario does not apply.

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

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

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Convertible bond-type bonds with share acquisition rights	25,054 million yen	25,036 million yen

[Non-consolidated statement of income]

※1. Selling, general and administrative expenses comprised 75.1% selling expenses and 71.4% general and administrative expenses in the previous fiscal year, and 24.9% and 28.6%, respectively, in the current fiscal year. Major cost items and amounts are shown below.

	Previous fiscal year (November 1, 2020 to October 31, 2021)	Current fiscal year (November 1, 2021 to October 31, 2022)
Commission expenses	1,805 million yen	3,209 million yen
Advertising expenses	2,845	4,904
Salaries and bonuses	13,733	12,413
Retirement benefit expenses	515	434
Provision for bonuses	9	945
Provision of allowance for doubtful accounts	558	173
Provision for reserve for grants	23	16
Depreciation and amortization	1,527	1,273

※2. Amount of transactions with subsidiaries and associates

	Previous fiscal year (November 1, 2020 to October 31, 2021)	Current fiscal year (November 1, 2021 to October 31, 2022)
Amount of operating transactions		
Net sales	548 million yen	593 million yen
Purchase of goods	3,291	6,954
Transaction amount for non-operating transactions		
Non-operating income	3,170	4,370
Non-operating expenses	15	28

※3. Gain on sale of shares of subsidiaries and associates

This is the gain on sale of shares of subsidiaries and associates resulting from the transfer of all shares the Company held in Huis Ten Bosch, which was a subsidiary of the Company, to an outside party.

※4. Subsidy income

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

※5. Impairment losses

Previous fiscal year (November 1, 2020 to October 31, 2021)

In the previous fiscal year, the Company recorded impairment losses on the following assets.

Location	Usage	Category	Impairment losses (millions of yen)
Tokyo, etc.	Branches	Buildings, other	256

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

For asset groups of branches the Group decided to close, the book value was reduced to the recoverable amount, and an impairment loss equivalent to the reduction was recorded as an extraordinary loss. Because the Company does not anticipate future cash flows, it has valued the recoverable value at zero.

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

In the current fiscal year, the Company recorded impairment losses on the following assets.

Location	Usage	Category	Impairment losses (millions of yen)
Tokyo, etc.	Branches	Buildings, other	110

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

For asset groups of branches the Group decided to close, the book value was reduced to the recoverable amount, and an impairment loss equivalent to the reduction was recorded as an extraordinary loss. Because the Company does not anticipate future cash flows, it has valued the recoverable value at zero.

※6. Loss on valuation of shares of subsidiaries and associates

Previous fiscal year (November 1, 2020 to October 31, 2021)

The Company has recorded losses on valuation of shares of subsidiaries and associates for consolidated subsidiaries GROUP MIKI HOLDINGS LIMITED and Japan Holiday Travel CO., LTD., etc.

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

The Company has recorded losses on valuation of shares of subsidiaries and associates for consolidated subsidiaries H.S. Insurance Co., Ltd. and H.I.S. Energy Holdings Co., Ltd., etc.

※7. Loss on sale of shares of subsidiaries and associates

This is a loss on sale of bonds in relation to the transfer of all shares and receivables in HTB Energy Co., Ltd. (hereinafter, "HTB Energy"), which was a subsidiary of the Company, and H.I.S. SUPER Power Co., Ltd. (hereinafter, "HSP") to an outside party.

The main breakdown of the loss on sale of shares of subsidiaries and associates is as follows.

HTB Energy	12,137 million yen
HSP	6,814 million yen

※8. Provision of allowance for doubtful accounts

The Company has recorded long-term loans receivable from subsidiaries and associates as allowance for doubtful accounts.

※9. Losses from downtime

Losses from downtime are fixed costs (chiefly personnel expenses and depreciation) incurred during the period when operations at the Company's business facilities were temporarily suspended to prevent the spread of COVID-19.

[Marketable securities]

Previous fiscal year (As of October 31, 2021)

Shares of subsidiaries and associates (amounts recorded on balance sheet: shares of subsidiaries 60,053 million yen, shares of associates 90 million yen) have no market prices and are deemed extremely difficult to determine their fair value. Accordingly, they are not presented here.

Current fiscal year (As of October 31, 2022)

Shares of subsidiaries and associates (amounts recorded on balance sheet: shares of subsidiaries 55,853 million yen, shares of associates 654 million yen) have no market prices and are deemed extremely difficult to determine their fair value. Accordingly, they are not presented here.

[Tax effect accounting]

1. Principal components of deferred tax assets and deferred tax liabilities are shown below.

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
[Deferred tax assets]		
Tax loss carryforwards	8,503 million yen	2,377 million yen
Loss on valuation of shares of subsidiaries and associates	1,749	2,461
Excess allowance for doubtful accounts	4,120	1,931
Provision for retirement benefits	1,284	1,270
Unsettled gift certificates	521	471
Provision for bonuses	2	172
Non-deductible asset retirement obligation expenses	115	113
Long-term accounts payable - other	96	96
Subsidy income	458	49
Other	767	675
Subtotal deferred tax assets	17,621	9,619
Valuation allowance pertaining to tax loss carryforwards	(6,477)	(1,441)
Valuation allowance pertaining to total future deductible temporary differences	(6,138)	(5,057)
Valuation allowance subtotal	(12,616)	(6,498)
Total deferred tax assets	5,005	3,121
[Deferred tax liabilities]		
Valuation difference on available-for-sale securities	(315)	(106)
Total deferred tax liabilities	(315)	(106)
Net deferred tax assets	4,689	3,014

2. Major components of significant differences arising between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Effective statutory tax rate	Notes have been omitted as the Company recorded a current net loss before income taxes.	34.59%
[Adjustments]		
Non-deductible permanent differences such as entertainment expenses		0.13%
Non-taxable permanent differences such as dividend income		(4.61%)
Inhabitant tax on per capita basis		0.09%
Changes in valuation allowance		(0.23%)
Loss carryforward deductible		(20.21%)
Other		(3.20%)
Actual effective tax rate after application of tax effect accounting		6.56%

(Revenue recognition)

Information that forms the basis for understanding revenue generated from contracts with customers is omitted because the same content is described in "Notes (Revenue Recognition)" in the consolidated financial statements.

④Supplementary Schedule

[Schedule for property, plant and equipment]

(Millions of yen)

Classification	Asset type	Balance at beginning of period	Increase during period	Decrease during period	Amortization during period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	12,047	188	1,805 (58)	491	9,939	1,868
	Vehicles	0	—	0	0	0	1
	Tools, furniture and fixtures	337	58	6 (5)	108	280	1,822
	Land	28,787	61	3,933	—	24,915	—
	Construction in progress	11	54	11	—	54	—
	Other	6	24	0	3	27	12
	Total	41,190	388	5,757 (63)	604	35,217	3,704
Intangible assets	Trademark right	32	3	—	5	30	—
	Telephone subscription right	82	—	—	—	82	—
	Software	1,708	572	—	696	1,584	—
	Other	12	14	3	4	19	—
	Total	1,835	590	3	706	1,716	—

(Notes) 1. The "Decrease during period" for buildings and land mainly reflects the sale of real estate holdings.

2. Figures in parentheses in the "Decrease during period" column reflect impairment losses recorded by the Company in the fiscal year ended October 31, 2022.

Schedule for provisions

(Millions of yen)

Classification	Balance at beginning of period	Increase during period	Decrease during period (due to intended use)	Decrease during period (other)	Balance at end of period
Allowance for doubtful accounts (Note)	13,458	6,307	103	13,354	6,307
Provision for bonuses	8	563	8	—	563

(Note) The 13,354 million yen decrease in allowance for doubtful accounts under "Decrease during period (other)" is attributable to reversals.

(2) Major Assets and Liabilities

Notes are omitted as consolidated financial statements were prepared.

(3) Others

There are no applicable matters to report.

VI. Stock-related Administration for the Company

Fiscal year	From November 1 to October 31
General Meeting of Shareholders	January
Record date	October 31
Record date for distribution of surplus	April 30 October 31
Number of shares constituting one unit	100 shares
Purchase or sale of shares less than one unit	
Handling office	(Special account) Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Transfer agent	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Forward office	――――――
Purchasing and selling fee	None
Method of public notice	Public notice of the Company is given by electronic means. However, in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be made by publication in The Nihon Keizai Shimbun issued in Tokyo. URL for public notice: https://www.his.co.jp/
Special benefit for shareholders	Every year, at the end of April and October, the Company issues shareholder benefits to all shareholders who own at least 100 shares and are recorded in the Shareholder Registry, based on the following criteria. Shareholders owning 100 or more but fewer than 500 shares: Two shareholder benefit coupons (corresponding to 2,000 yen) Shareholders owning 500 or more but fewer than 1,000 shares: Four shareholder benefit coupons (corresponding to 4,000 yen) Shareholders owning 1,000 or more shares: Six shareholder benefit coupons (corresponding to 6,000 yen) Shareholders owning 100 or more shares: One discounted admission ticket for Laguna Ten Bosch (500-yen discount per person; tickets can be used by up to five people).

VII. Reference Information on the Company

1. Information on the Parent Company, etc. of the Company

The Company has no parent company.

2. Other Reference Information

The Company filed the following documents between the beginning of the current fiscal year and the submittal of the Japanese version of this Securities Report.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof
For the 41st fiscal year (from November 1, 2020 to October 31, 2021)
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022

(2) Amended Annual Securities Report and Confirmation Letter thereof
For the 40th fiscal year (from November 1, 2019 to October 31, 2020)
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022

(3) Internal Control Report and documents attached thereto
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022

(4) Quarterly Securities Report and Confirmation Letter thereof
For the first quarter of the 42nd fiscal year (from November 1, 2021 to January 31, 2022)
Submitted to Director, Kanto Local Finance Bureau on March 17, 2022
For the second quarter of the 42nd fiscal year (from February 1, 2022 to April 30, 2022)
Submitted to Director, Kanto Local Finance Bureau on June 13, 2022
For the third quarter of the 42nd fiscal year (from May 1, 2022 to July 31, 2022)
Submitted to Director, Kanto Local Finance Bureau on September 13, 2022

(5) Amended Quarterly Securities Report and Confirmation Letter thereof
For the first quarter of the 41st fiscal year (from November 1, 2020 to January 31, 2021)
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022
For the second quarter of the 41st fiscal year (from February 1, 2021 to April 30, 2021)
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022
For the third quarter of the 41st fiscal year (from May 1, 2021 to July 31, 2021)
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022

(6) Extraordinary Report
Submitted to Director, Kanto Local Finance Bureau on January 28, 2022
According to the provision of Article 19, Paragraph 2, Item 9-2 (result of exercise of voting rights at a general shareholders' meeting), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director, Kanto Local Finance Bureau on February 25, 2022
According to the provision of Article 19, Paragraph 2, Item 9 (replacement of representative director), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. Submitted to Director, Kanto Local Finance Bureau on March 17, 2022
According to the provision of Article 19, Paragraph 2, Item 12 and Item 19 (booking of extraordinary income and loss), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director, Kanto Local Finance Bureau on June 13, 2022
According to the provision of Article 19, Paragraph 2, Item 12 and Item 19 (booking of extraordinary income and loss), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director, Kanto Local Finance Bureau on August 30, 2022
According to the provision of Article 19, Paragraph 2, Items 3, 12 and 19 (change of special subsidiary, financial conditions, occurrence of events having significant effect on operating results and cash flow conditions), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director, Kanto Local Finance Bureau on September 13, 2022
According to the provision of Article 19, Paragraph 2, Item 12 and Item 19 (booking of extraordinary income and loss), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director, Kanto Local Finance Bureau on October 27, 2022
According to the provision of Article 19, Paragraph 2, Item 9-2 (result of exercise of voting rights at a general shareholders' meeting), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director, Kanto Local Finance Bureau on December 15, 2022
According to the provision of Article 19, Paragraph 2, Item 12 and Item 19 (booking of extraordinary income and loss), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to Director, Kanto Local Finance Bureau on January 26, 2023
According to the provision of Article 19, Paragraph 2, Item 9 (replacement of representative director), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Part II Information on Guarantors, etc. for the Company

There are no applicable matters to report