



## **Consolidated Financial Results**

### **For the First Half Ended April 30, 2015**

*This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on management's assumptions and beliefs in light of information currently available and involves uncertainties that may affect forecasts. Actual results may differ materially from these forecasts due to various factors.*

## Summary of Consolidated Financial Results For the First Half Ended April 30, 2015

### H.I.S. Co., Ltd. (9603)

Exchange Listed:	Tokyo Stock Exchange, 1 <sup>st</sup> section
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Scheduled date of filing interim report:	May 29, 2015

## 1. Consolidated Financial Results (November 1, 2014 – April 30, 2015)

### (1) Consolidated Operating Results

	<i>Millions of Yen</i>			
	First Half Ended Apr 30,			
	2015	%	2014	%
Net Sales.....	260,798	3.2	252,634	12.5
Operating Income.....	10,029	19.7	8,381	38.4
Ordinary Income.....	11,254	16.7	9,641	22.9
Net Income .....	5,102	17.0	4,360	(6.9)
Net Income per Share (yen).....	78.68		67.24	
Net Income per Share, Diluted (yen).....	73.66		—	

Notes: Comprehensive income: First Half Ended April 30, 2015: 7,756 million yen (14.1%)  
First Half Ended April 30, 2014: 6,797 million yen (-28.9%)

The Group conducted a 1:2 stock split on its common shares with the effective date of May 1, 2014. Net Income per Share is calculated under the assumption that the stock split had been conducted at the beginning of the previous fiscal year ended October 31, 2014. Net Income per Share, Diluted for 2014, is not presented since there were no potential shares in the previous fiscal year.

### (2) Consolidated Financial Position

	<i>Millions of Yen</i>	
	As of Apr 30, 2015	As of Oct 31, 2014
Total Assets.....	285,160	281,332
Net Assets.....	106,895	102,295
Shareholders' Equity Ratio.....	33.0%	31.5%
Net Assets per Share (yen).....	1,448.96	1,366.04

Notes: Shareholders' equity (consolidated): As of April 30, 2015: 93,964 million yen  
As of October 31, 2014: 88,587 million yen

## 2. Dividends

	FY Ended Oct 31,		
	2014	2015	2015 (Forecast)
Dividends per Share			
Interim (yen)	0.00	0.00	
End of Term (yen)	18.00		22.00
Annual Dividends (yen)	18.00		22.00

Notes: Revision to dividends forecast from the previous forecast announced: No

## 3. Consolidated Forecast for the Fiscal Year Ending October 31, 2015

	Millions of Yen	
	FY Ending Oct 31, 2015	
Net Sales.....	579,700	10.8%
Operating income.....	19,400	22.0%
Ordinary Income.....	21,400	12.5%
Net Income.....	10,600	17.1%
Net Income per Share (yen).....	163.46	

Notes: Revision to forecast from the previous forecast announced: No

## 4. Additional Notes

- (1) Changes of important subsidiaries during the fiscal period (Changes of specific subsidiary due to change in scope of consolidation): None
- (2) Application of simplified accounting treatment and unique accounting treatment in preparing quarterly consolidated financial statements: Yes
- (3) Change in accounting policy, change in accounting estimates and restatement:
- (i) Changes accompanying amendments to accounting standards: Yes
  - (ii) Changes other than those in (i) above: None
  - (iii) Change in accounting estimates: None
  - (iv) Restatement: None
- (4) Number of shares issued (common shares)
- (i) Number of shares issued at end of fiscal period (including treasury stock):
    - As of Apr 30, 2015 68,522,936 shares
    - As of Oct 31, 2014 68,522,936 shares
  - (ii) Number of treasury stock at end of fiscal period
    - As of Apr 30, 2015 3,673,726 shares
    - As of Oct 31, 2014 3,673,396 shares
  - (iii) Average number of shares during the period
    - As of Apr 30, 2015 64,849,403 shares
    - As of Apr 30, 2014 64,850,236 shares

*The Group conducted a 1:2 stock split on its common shares with the effective date of May 1, 2014. Number of shares issued (common shares) are calculated under the assumption that the stock split had been conducted at the beginning of the fiscal year ended October 31, 2014.*



## **Consolidated Financial Results for the First Half Ended April 30, 2015**

**Note on Audit Procedures:**

*This summary of financial statements is out of the scope of the audit procedures which is required by "Financial Instruments and Exchange Act". The audit procedures of consolidated financial statements have been completed as of the disclosure of this report.*

**Disclaimer Regarding Forward-Looking Statements:**

*Forward-looking statements are based on management's assumptions and beliefs in light of information currently available and involve uncertainties that may affect forecasts. Actual results may differ materially from these forecasts due to various factors. Please refer to pages 6-7 for further information concerning the projections.*

## **I. Operating Results and Financial Position**

### **1. Operating Results**

#### **Overview of consolidated results for the fiscal period**

During the first half of the fiscal year, the travel market saw its demand for overseas travel affected by political instability in Europe and Middle East as well as the weak yen trend. On the other hand, demand for domestic travel remained firm backed by an increase in demand for leisure travel, following the opening of the Hokuriku Shinkansen. Turning to foreign travelers visiting Japan, the market saw rapidly rising shopping demand from China and Southeast Asian countries, driven by the weak yen. The number of foreign travelers visiting Japan during the first half of the fiscal year hit a record and showed strong growth.

Under these business environments, the Group placed priority on providing customers with safe and secure travel and strived to further improve quality by leveraging its domestic and international network to provide information and services to customers. Furthermore, the Group will continue to take on a variety of challenges for the creation of new value, and commit itself to speedily deploying businesses with an eye on the future.

#### **- Travel Business**

As of the end of April 2015, the Group has a network of sales with 302 domestic branches and 187 overseas branches in 128 cities across 61 countries, an increase of 13 branches from the previous fiscal year, and continues expanding towards the goal of 1,000 branches worldwide.

In overseas travel departing Japan, the Group opened its original specialty outlet for Hawaii in Shinjuku 3-chome. As well as launching "LeaLea Points" which you can earn and redeem points for shopping and dining in affiliated shops in Hawaii, the Group strengthened its initiatives in Hawaii with increased usability by enabling simultaneous search for "air ticket and hotel" and package tours on its Hawaii reservation website. Moreover, the Group worked to focus on the expansion of its business class packages and high value added products in order to meet a widening customer base and their needs.

As for initiatives in the area of online sales, the Group endeavors to further improve quality by integrating customer information on each service website and sharing it between branches and online channels.

Corporate or group travel saw strong demand, driven by an increase in orders for large scale group travel, including various events and corporate incentive travels. The Group also expanded "Travel Concierge Desk" services, available for Card Members only.

In the domestic travel business, we are promoting "landing-based tourism business" which allows us to make use of seasonal local information to promptly provide goods and services. We also extended our lineup of products and services for the Hokuriku region of an increasing demand, as well as popular Okinawa islands. Our business remained strong. With regards to bus tours, the Group enhanced initiatives for safety and security by equipping its owned fleet with drive recorders. Ski related offerings attracted customers with success.

In our inbound travel business, the number of travelers from China during the Lunar New Year holiday significantly increased. The number of travelers from the Asian region has seen an increase as well. We opened "Osaka Tourist Information Center", Japan's largest tourist information center with the widest floor space designed for visitors to Japan, in Shinsaibashi, Osaka prefecture, and also launched tourist information centers in Ginza and Shinjuku in Tokyo, through which further enhancing our support system, including tourist information and optional tour offerings. In April 2015, "H.I.S. ANA Navigation JAPAN Co.,Ltd." (HANavi), a joint venture with ANA Sales Co.,Ltd., launched its services. HANavi was established in November 2014 for the purpose of creating inbound travel demand and vitalizing Japanese local communities.

Turning to overseas outbound business, the Group increased the number of overseas locations by launching tour desks in Slovenia in eastern Europe and Cusco, the gateway to Machu Picchu in South America, as well as continuously promoting operations in multi branches in Southeast Asia for local sales activities. The Group currently has 24 branches in Thailand and 14 branches in Indonesia.

Furthermore, the Group aimed to raise brand recognition by aggressively deploying promotional activities, including exhibiting at travel fairs in such region as Bangkok and Jakarta. In an effort to promote inbound travel, the Group's online reservation website "hisgo", operating in 39 countries, enhanced collaboration with other reservation websites including "Japan Hot Now!", an inbound travel portal site, and the aforementioned "HANavi".

As a result of these measures, net sales for the first half increased 2.4% year on year to 229,622 million yen, and operating income rose by 35.3% year on year to 5,381 million yen.

#### - Theme Park Business

HUIS TEN BOSCH Co., Ltd. continues to focus on events of "Only One" or "No. 1" value. In "The Kingdom of Light Series", one of the world's largest extravaganzas, over 11 million bulbs lighted up the theme park at night. In the "Tulip Festival", for which 700 varieties of tulips were planted, the most seen in Japan, were presented the world's first organic EL tulips, amounting to approximately 5,000, unfolding the shining to the music show. The Group has implemented a variety of memorable events, including "Masquerade large carnival 2015", which can be enjoyed throughout the theme park.

At newly launched LAGUNA TEN BOSCH, which succeeded businesses in August 2014, we have attracted many customers with various events, including 3D mapping "La Luz", which can be viewed from 360 degree angle, marking the first attempt in Japan, and water mapping show "AGUA" as well as mapping experience "Photo-tas (Photo+)". These events have received a good response. We continuously endeavor to improve customer satisfaction throughout the year.

As a result, net sales increased 18.0% year on year to 16,536 million yen, and operating income increased 3.3% year on year to 5,288 million yen.

- Hotel Business

In the Watermark Hotel Nagasaki, we not only increased the price per room but also offered a sweets buffet, which has been well received. As a result of the measures taken at each hotel to improve customer satisfaction and profitability, the Group recorded a good business performance. Net sales rose by 16.7% year on year to 3,254 million yen and operating income rose by 78.5% year on year to 344 million yen. In May 2015, a new Watermark Hotel & Spa BALI JIMBARAN began its operation in Bali, Indonesia.

- Transportation Business

ASIA ATLANTIC AIRLINES CO., LTD., an international charter carrier, began operating charter flights departing from Komatsu Airport and Shizuoka Airport to Southeast Asia (Suvarnabhumi Airport, Bangkok), in addition to flights departing and arriving at Narita International Airport.

As a result, net sales fell by 30.9% year on year to 1,336 million yen, and an operating loss was 604 million yen compared with an operating loss of 552 million yen a year earlier.

- Kyushu Sanko Group

KYUSHU INDUSTRIAL TRANSPORTATION Group worked to provide customer orientated services in its bus business by increasing the number of vehicles during commute time and installing new stops for better use of commuter buses. Due to the suspended services of Aso Ropeway and others caused by volcanic activities, net sales fell by 4.5% year on year to 12,247 million yen. Operating income rose by 8.6% year on year to 718 million yen, supported by a decline in diesel fuel costs. The Group is preparing for the redevelopment of Sakura-machi in Kumamoto prefecture, scheduled for construction in August 2015.

As a result of these measures, the Group recorded net sales of 260,798 million yen, an increase of 3.2% from the previous fiscal year, operating income of 10,029 million yen, an increase of 19.7% from the previous fiscal year, and ordinary income of 11,254 million yen, an increase of 16.7% from the previous fiscal year. The Group achieved record results for the fifth consecutive quarter for net sales and ordinary income, and record result for the fourth consecutive quarter for operating income. The Group also achieved record high net income of 5,102 million yen, an increase of 17.0% from the previous fiscal year, despite the loss on sale of shares.

## **2. Forecast for the Full Year**

The global economic environment will likely remain uncertain but Japanese business confidence shows signs of gradual improvement and consumer spending is expected to show a steady undertone. Under these business environments, the Group forecasts that the travel market will remain firm, with anticipated demand for the upcoming holiday season in September. On the other hand, there could be fiercer competition surrounding the travel market, both domestic and international, with direct sales from suppliers, or a shift in the supply-demand balance due to a boost in inbound travel, so it is ever more important to keep a close eye on market trends.

In this environment, the Group strives to promote vertical integration business strategies with the anticipation for the synergy effects, and actively leverage charter flights. The Group will thus respond sensitively to its customers' needs, and create the original products and services in the global market. Furthermore, the Group will endeavor to promote expansion with a greater awareness of productivity and efficiency and further increase earnings.

At Huis Ten Bosch, we will offer a new style of stay at the launch of "Kingdom of Health and Beauty", and continue to aim to satisfy and impress our customers by implementing initiatives. In summer, "Strange Hotel" will open with a view to achieving world-class productivity. We will embark on the challenge to materialize "Tourism Business City".

Due to the recent drop in airline fuel prices, fuel surcharge revenues tapered compared with the previous fiscal year. This could affect the Group's net sales in the consolidated earnings forecasts, as fuel surcharge revenues are to be recorded in the net sales of the travel business. However, this has minimal impact on operating income, ordinary income, net income, and net income per share.

There has been no change to the consolidated earnings forecasts for the full year, announced on December 5, 2014 in the financial results document, as a result of the background mentioned above.

## II. Consolidated Financial Statements

### 1. Consolidated Quarterly Balance Sheets

	<i>Millions of Yen</i>	
	As of Apr 30, 2015	As of Oct 31, 2014
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits .....	133,877	136,230
Accounts receivable-trade.....	18,237	15,496
Operating accounts receivable.....	7,425	7,386
Securities .....	2,421	1,486
Travel advance payments .....	22,287	23,296
Prepaid expenses .....	1,953	1,884
Deferred tax assets .....	2,310	2,054
Short-term loans receivable .....	60	1,135
Short-term loans receivable from subs. and associates...	12	617
Accounts receivable-other.....	2,158	2,021
Other .....	5,668	5,261
Allowance for doubtful accounts.....	(80)	(80)
<b>Total current assets.....</b>	<b>196,333</b>	<b>196,789</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings, net .....	13,169	12,780
Tools, furniture and fixtures, net.....	4,078	3,338
Vessels, net .....	4,386	3,928
Land.....	22,505	22,556
Leased assets, net.....	2,352	2,418
Other, net.....	5,585	3,681
<b>Total property, plant and equipment.....</b>	<b>52,078</b>	<b>48,704</b>
Intangible assets .....	5,135	4,552
<b>Investments and other assets</b>		
Investment securities .....	12,532	13,643
Shares of subs. and associates .....	6,867	7,438
Investments in capital of subs. and associates .....	65	65
Long-term loans receivable.....	1,431	159
Long-term loans receivable from subs. and associates ...	141	136
Deferred tax assets .....	2,889	2,946
Guarantee deposits.....	6,472	6,044
Other .....	1,266	892
Allowance for doubtful accounts.....	(222)	(223)
<b>Total investments and other assets.....</b>	<b>31,444</b>	<b>31,103</b>
<b>Total non-current assets.....</b>	<b>88,658</b>	<b>84,360</b>
Deferred assets.....	168	181
<b>Total assets .....</b>	<b>285,160</b>	<b>281,332</b>

	<i>Millions of Yen</i>	
	<b>As of Apr 30, 2015</b>	<b>As of Oct 31, 2014</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable .....	20,418	22,181
Short-term loans payable .....	5,010	1,350
Current portion of long-term loans payable .....	1,517	1,551
Accounts payable-other .....	3,574	2,947
Accrued expenses.....	2,381	2,588
Income taxes payable .....	3,573	6,956
Accrued consumption taxes .....	823	833
Travel advance received .....	49,877	50,542
Lease obligations .....	683	758
Provision for bonuses.....	3,048	2,968
Provision for directors' bonuses .....	76	141
Other .....	6,016	5,564
<b>Total current liabilities.....</b>	<b>97,001</b>	<b>98,384</b>
<b>Non-current liabilities</b>		
Bonds payable .....	20,000	20,000
Convertible bond-type bonds with subscription rights to shares.....	20,173	20,193
Long-term loans payable.....	25,026	22,780
Deferred tax liabilities.....	4,846	4,880
Net defined benefit liability .....	5,694	6,945
Provision for directors' retirement benefits .....	719	737
Provision for repairs .....	1,167	1,433
Lease obligations .....	2,172	2,133
Other .....	1,462	1,547
<b>Total non-current liabilities .....</b>	<b>81,263</b>	<b>80,652</b>
<b>Total liabilities .....</b>	<b>178,264</b>	<b>179,036</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock .....	11,000	6,882
Capital surplus .....	3,665	7,782
Retained earnings .....	76,384	71,612
Treasury shares .....	(2,535)	(2,533)
<b>Total shareholders' equity .....</b>	<b>88,514</b>	<b>83,743</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities .....	46	324
Deferred gains or losses on hedges.....	471	790
Foreign currency translation adjustment .....	5,067	3,902
Remeasurements of defined benefit plans.....	(135)	(173)
<b>Total valuation and translation adjustments .....</b>	<b>5,449</b>	<b>4,843</b>
Minority interests.....	12,931	13,708
<b>Total net assets.....</b>	<b>106,895</b>	<b>102,295</b>
<b>Total liabilities and net assets .....</b>	<b>285,160</b>	<b>281,332</b>

## 2. Consolidated Quarterly Statements of Income

	<i>Millions of Yen</i>	
	Nov 1, 2014 - Apr 30, 2015	Nov 1, 2013 - Apr 30, 2014
<b>Net sales</b> .....	260,798	252,634
Cost of sales .....	207,459	204,447
Gross profit.....	53,339	48,186
Selling, general and administrative expenses .....	43,310	39,805
Operating income .....	10,029	8,381
<b>Non-operating income</b>		
Interest income .....	582	281
Foreign exchange gains.....	856	350
Share of profit of entities accounted for using equity method .....	—	12
Other .....	751	825
Total non-operating income.....	2,189	1,470
<b>Non-operating expenses</b>		
Interest expenses.....	127	84
Share of loss of entities accounted for using equity method .....	581	—
Other .....	256	125
Total non-operating expenses.....	965	210
Ordinary income.....	11,254	9,641
<b>Extraordinary losses</b>		
Loss on sales of investment securities.....	484	—
Total extraordinary losses .....	484	—
<b>Income before income taxes</b> .....	<b>10,769</b>	<b>9,641</b>
Income taxes .....	3,779	3,956
<b>Income before minority interests</b> .....	<b>6,990</b>	<b>5,685</b>
<b>Minority interests in income</b> .....	<b>1,888</b>	<b>1,325</b>
<b>Net income</b> .....	<b>5,102</b>	<b>4,360</b>

### 3. Consolidated Quarterly Statements of Cash Flows

	<i>Millions of Yen</i>	
	Nov 1, 2014 - Apr 30, 2015	Nov 1, 2013 - Apr 30, 2014
<b>I. Cash flows from operating activities</b>		
Income before income taxes .....	10,769	9,641
Depreciation .....	2,848	2,394
Amortization of goodwill .....	96	145
Increase (decrease) in provision for bonuses .....	44	977
Increase (decrease) in provision for directors' bonuses .....	(66)	23
Increase (decrease) in provision for retirement benefits .....	—	416
Increase (decrease) in net defined benefit liability .....	247	—
Increase (decrease) in provision for directors' retirement benefits .....	(19)	33
Increase (decrease) in provision for repairs .....	(210)	4
Interest and dividend income .....	(582)	(281)
Share of (profit) loss of entities accounted for using equity method .....	581	(12)
Foreign exchange losses (gains) .....	(502)	(302)
Interest expenses .....	127	84
Loss (gain) on sales of investment securities .....	484	(160)
Other loss (gain) .....	(12)	37
Decrease (increase) in notes and accounts receivable-trade ....	(2,253)	(1,734)
Decrease (increase) in travel advance payments .....	1,125	(659)
Decrease (increase) in other assets .....	(510)	(498)
Increase (decrease) in notes and accounts payable-trade .....	(2,393)	(1,163)
Increase (decrease) in accrued consumption taxes .....	(18)	69
Increase (decrease) in accrued expenses .....	(239)	42
Increase (decrease) in travel advances received .....	(848)	(821)
Increase (decrease) in other liabilities .....	(239)	447
<b>Subtotal .....</b>	<b>8,426</b>	<b>8,684</b>
Interest and dividend income received .....	414	277
Interest expenses paid .....	(118)	(87)
Income taxes (paid) refund .....	(7,428)	(1,382)
<b>Net cash provided by (used in) operating activities .....</b>	<b>1,295</b>	<b>7,492</b>

	<i>Millions of Yen</i>	
	Nov 1, 2014 - Apr 30, 2015	Nov 1, 2013 - Apr 30, 2014
<b>II. Cash flows from investing activities</b>		
Payments into time deposits .....	(26,147)	(10,506)
Proceeds from withdrawal of time deposits .....	24,914	16,357
Purchase of securities .....	—	(4,000)
Proceeds from redemption of securities .....	1,014	2,600
Purchase of property, plant and equipment and intangible assets .....	(5,013)	(3,275)
Purchase of investment securities .....	(2,001)	(50)
Proceeds from sales of investment securities .....	150	476
Purchase of shares of subs. and associates .....	(4,563)	(137)
Payments of loans receivable .....	(1,299)	(4)
Collection of loans receivable .....	1,136	40
Payments for guarantee deposits .....	(713)	(301)
Proceeds from collection of guarantee deposits .....	341	272
Other, net .....	76	295
<b>Net cash provided by (used in) investing activities .....</b>	<b>(12,103)</b>	<b>1,766</b>
<b>III. Cash flows from financing activities</b>		
Increase in short-term loans payable .....	14,270	6,470
Decrease in short-term loans payable .....	(10,610)	(6,850)
Proceeds from long-term loans payable .....	3,000	—
Repayments of long-term loans payable .....	(787)	(773)
Cash dividends paid .....	(1,167)	(1,102)
Cash dividends paid to minority shareholders .....	(27)	(16)
Proceeds from share issuance to minority shareholders .....	1,080	—
Other, net .....	(299)	(290)
<b>Net cash provided by (used in) financing activities .....</b>	<b>5,457</b>	<b>(2,563)</b>
<b>IV. Effect of exchange rate change on cash and cash equivalents .....</b>	<b>1,557</b>	<b>494</b>
<b>V. Net increase (decrease) in cash and cash equivalents .....</b>	<b>(3,793)</b>	<b>7,191</b>
<b>VI. Cash and cash equivalents at beginning of period .....</b>	<b>110,145</b>	<b>61,426</b>
<b>VII. Increase in cash and cash equivalents from newly consolidated subsidiary .....</b>	<b>99</b>	<b>—</b>
<b>VIII. Cash and cash equivalents at end of period .....</b>	<b>106,452</b>	<b>68,618</b>

## Segment Information

### Information on net sales, incomes or losses by reported segment

**First Half ended April 30, 2015 (November 1, 2014 – April 30, 2015)**

(Millions of Yen)

	Reported Segment						Other Businesses *1	Total	Eliminations & Corporate *2	Consolidated *3
	Travel Business	Theme Park Business	Hotel Business	Transpor- tation Business	Kyushu Sanko Group	Subtotal				
Net sales										
(1) Sales to outside customers	229,482	15,662	2,793	601	12,235	260,776	22	260,798	—	260,798
(2) Inter-segment sales / transfers	139	873	461	735	11	2,220	—	2,220	(2,220)	—
Total	229,622	16,536	3,254	1,336	12,247	262,996	22	263,019	(2,220)	260,798
Segment incomes (losses)	5,381	5,288	344	(604)	718	11,128	7	11,135	(1,106)	10,029

Notes:

1. Other Businesses refer to the business segment not included in the reported segment, including real estate businesses.
2. Segment incomes (losses) of (1,106) million yen are corporate-wide expenses not included in each reported segment and refer to administrative expenses at the headquarters, not included in the reported segment.
3. Segment incomes (losses) are adjusted with operating incomes in the consolidated financial statements.