



Consolidated Financial Results

For the Fiscal Year Ended October 31, 2008

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

Summary of Consolidated Financial Results For the Fiscal Year Ended October 31, 2008

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

Exchange Listed:	Tokyo Stock Exchange, 1 st section
Principal Office:	Tokyo, Japan
Homepage:	http://www.his.co.jp
Representative Director, President:	Akira Hirabayashi
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Date of Dividend Payment:	January 30, 2009
Scheduled date of filing annual report:	January 30, 2009

1. Consolidated Financial Results (November 1, 2007 – October 31, 2008)

(1) Consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2008	%	2007	%
Net Sales	368,384	1.7	362,084	10.1
Operating Income	5,902	(7.2)	6,362	(12.1)
Ordinary Income	6,204	(17.4)	7,510	(7.1)
Net Income	2,487	(45.0)	4,521	(7.1)
Net Income per Share (yen).....	75.91		135.57	
Net Income per Share, Diluted (yen).....	—		—	
Return on Equity (ROE)	5.4%		9.9%	
Ordinary Income to Total Assets Ratio	6.1%		7.8%	
Operating Income to Net Sales Ratio.....	1.6%		1.7%	
Notes: Equity of earnings in affiliates:	Full year ended October 31, 2008		313 million yen	
	Full year ended October 31, 2007		339 million yen	

(2) Consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2008	2007
Total Assets	103,746	100,992
Net Assets	45,210	48,379
Shareholders' Equity Ratio	43.2%	47.5%
Net Assets per Share (yen)	1,381.81	1,450.67
Notes: Shareholders' equity (consolidated):	As of October 31, 2008:	44,810 million yen
	As of October 31, 2007:	47,968 million yen

(3) Consolidated Cash Flows

	Millions of Yen	
	Fiscal Year Ended October 31,	
	2008	2007
Cash Flows from Operating Activities	5,392	5,148
Cash Flows from Investing Activities	(11,035)	(1,793)
Cash Flows from Financing Activities	(1,636)	(1,405)
Cash and Cash Equivalents at End of Year	31,080	38,995

2. Dividend Distribution

	Dividend per share			Total Dividend (millions of yen)	Dividend payout ratio (%) (consolidated)	Ratio of dividends to net assets (%) (consolidated)
	Half Year	Year End	Full Year			
FY2007	—	20.00	20.00	661	14.8	1.4
FY2008	—	24.00	24.00	778	31.6	1.7
FY2009 (Forecast)	—	24.00	24.00	—	25.9	—

3. Consolidated Forecast for the Fiscal Year Ending October 31, 2009

	Millions of Yen			
	Interim ended April 30, 2009		FY ended October 31, 2009	
	Sales	Profit	Sales	Profit
Net Sales	177,000	2.1%	383,000	4.0%
Operating income	3,000	17.7%	7,300	23.7%
Ordinary Income	1,700	(37.5%)	5,200	(16.2%)
Net Income	1,000	(37.5%)	3,000	20.6%
Net Income per Share (Yen)	30.84		92.51	

4. Additional Notes

(1) Changes of important subsidiaries during the fiscal period (Changes of specific subsidiary due to change in scope of consolidation):

New: None
No Companies

Excluded: No Companies

(2) Changes in principles, procedures and presentation of accounting treatment in preparing consolidated financial statements: (i) Changes resulting from revisions to accounting standards, etc.:

(i) Changes resulting from revisions to accounting standards, etc.: No

(ii) Changes other than (i): Yes

(3) Number of shares issued (common shares)

(i) Number of shares issued end of fiscal period (including treasury stock):

As of October 31, 2008 34,261,468 shares

As of October 31, 2007 34,261,468 shares

(ii) Number of treasury stock at end of fiscal period

As of October 31, 2008 1,832,237 shares

As of October 31, 2007 1,194,893 shares

5. Non-consolidated Financial Results (November 1, 2007 – October 31, 2008)

(1) Non-consolidated Operating Results

	Millions of Yen			
	Fiscal Year Ended October 31,			
	2008	%	2007	%
Net sales.....	325,428	2.5	317,546	9.9
Operating Income	4,169	(11.5)	4,709	(17.9)
Ordinary Income	4,130	(23.0)	5,366	(14.0)
Net Income	(930)	--	3,179	(13.2)
Net Income per Share (yen).....	(28.41)		95.33	
Net Income per Share, Diluted (yen).....	--		--	

(2) Non-consolidated Financial Position

	Millions of Yen	
	As of October 31,	
	2008	2007
Total Assets.....	90,762	89,117
Net Assets.....	37,156	42,877
Shareholders' Equity Ratio	40.9%	48.1%
Net Assets per Share (yen).....	1,145.77	1,296.70
Note: Shareholders' equity:	Fiscal year ended October 31, 2008:	37,156 million yen
	Fiscal year ended October 31, 2007:	42,877 million yen

(3) Non-consolidated Operating Forecasts for the Fiscal Year Ending October 31, 2009

	Millions of Yen			
	Interim ended April 30, 2009		FY ended October 31, 2009	
Net Sales	162,900	9.4%	357,900	10.0%
Operating income.....	1,600	30.9%	5,200	24.7%
Ordinary Income.....	50	(95.9%)	3,000	(27.4%)
Net Income.....	(250)	--	1,500	--
Net Income per Share (Yen)	(7.71)		46.25	

Note: Forecasts contain forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors. Please consult page 5 for further information concerning the projections.

I. Operating Results and Financial Position

1. Operating Results

(1) Overview of consolidated results for the fiscal period

As corporate earnings declined, Japanese economic growth slowed with both capital expenditures and personal consumption stagnating. The downward trend in overseas travel continued for various reasons including the impact of a series of hikes in fuel surcharges, the deterioration in economic conditions, and a decline in the number of travelers to China, which has been the engine for market growth, following concerns about food safety and the large earthquake in Sichuan.

According to the Japan National Tourist Organization (JNTO), the (estimated) number of Japanese departing the country from November 2007 through October 2008 is expected to have fallen by 6.2% on the previous year to around 16,288,000 people, a decrease of approximately 1,084,000 people.

Under these conditions, the Group's Travel Business was reorganized under the leadership of a new president in order to maintain the support of customers and growth at a time of turbulent changes both within Japan and overseas. Under the new system and centered on the "Quality Control & Market Research Room," a newly created department, the Group strove to develop new products and to provide information to satisfy customers and further improved quality management of travel products. In addition to expanding the breadth of its travel product lineup, the Group has expanded its support system at travel destinations, centered on overseas offices, and strengthened its individual customer service in order to recommend the most appropriate trips that meet the needs of customers.

- In terms of the development of new travel products, we structured products so that the full price including fuel surcharges is given in response to customers' opinion that it was difficult to determine the true cost of tickets, and this was very popular among customers. In addition, the new product Jimo Travel, which incorporates locally popular items and the recommendations and preferences of local staff that work in overseas offices directly operated by H.I.S., went on sale.
- We aggressively undertook sales promotions, with efforts including campaigns emphasizing price appeal, such as the customary "First Dream Fair" at the beginning of the year, and the Weekend Overseas Vacation Specials for weekends. Furthermore, we made aggressive efforts to attract new customers, and these efforts included the Super Summer Sale, which was undertaken to stimulate travel during summer, and the 16-office Simultaneous Opening Fair, which commemorated surpassing 250 offices throughout Japan, after the Golden Week Vacation.
- In sales by internet, we strove to meet diverse customer needs and improve customer convenience by launching a new online reservation site for departures from the New Chitose Airport and the Sendai Airport and for overseas car rentals, in addition to updating the overseas airline ticket internet site and mobile site.

- As for efforts related to corporate travel, H.I.S. has actively opened offices not only in major metropolitan areas but also in regional areas that are expected to experience growth in demand. In addition, earnings for this segment were firm as clients reviewed business trip expenses during the economic recession and the Group won new contracts with companies.
- As for overseas development, efforts were made based on an awareness of the importance of improving profitability, which includes raising the level of service at local offices and improving purchasing of hotel rooms. Furthermore, the Group worked to become more global opening six new overseas offices in cities such as Dubai, Amsterdam, and Seattle and developing new tourism areas and new products.

As a result of implementing all of these measures, the Group was able to raise its share of passengers and record an increase in net sales from the travel business of 1.7% to 365,893 million yen even though the effect of a decline in total demand was still being felt. While not being able to meet initial sales projections had a dramatic effect, the Group made aggressive efforts to improve profitability based on an awareness of the importance of improving operational efficiency and effectiveness, including strengthening the purchasing system and reducing costs, and recorded a decline of 2.6% in operating income to 8,520 million yen.

In the Hotel Business, demand from both Australia and Asia was firm for hotels, and occupancy rates for hotels on the Gold Coast and in Brisbane continued to be high. In addition, supplemental services, like spa, made substantial contributions to earnings. As a result, Hotel Business sales firmly increased 14.6% on the previous year to 2,525 million yen and operating income firmly increased 1.0% to 238 million yen.

As a result of the foregoing, consolidated net sales for the fiscal year improved 1.7% to 368,384 million, while operating income decreased 7.2% to 5,902 million, and ordinary income decreased 17.4% to 6,204 million.

Furthermore, net income fell 45% to 2,487 million yen since the Group recorded 2,933 million yen in extraordinary losses on investment securities as the market price of held securities declined.

(2) Forecasts for next fiscal year

As for the economic outlook, the Japanese economy is projected to remain stagnant with the global economy slowing. Even within the travel industry, demand for overseas travel is expected to be weaker as a result of declining consumer spending and worsening economic conditions.

Under these conditions, among seniors, focus is expected to be on travel to Europe as a result of expected cuts in fuel surcharges and the merits of recent exchange rate movements. For young people and families who are sensitive to prices, focus is expected to be on relatively close beach areas and Asia. The Group continues to consider its core competence as "independent travel" and is aiming to improve the quality of its products in order to stimulate demand for overseas travel. Efforts are also being made to improve the service and consulting capabilities of each employee in order to satisfy customers with the best travel plans and to differentiate H.I.S. from its rivals. In addition, the Group is constructing and expanding its sales channels, which was undertaken to improve customer convenience at offices, through call center, and online.

- As for sales of airline tickets, the Group is pursuing both price advantage in terms of airline tickets and its original added value services such as its capacity to arrange travel and overseas support system. The Group is differentiating itself from its rivals by expanding its online reservation site to include not only airline tickets and hotels but also rental cars and optional tours.
- As for package tours, the Group not only introduced its main product Ciao which is appealing in terms of price but also broadened its lineup of high-value added products such as tour plans that include high class hotels and those full of activities. Furthermore, the Group expanded its planned products with clear customer targets and strove to meet customer needs and increase spending per customer. The Group expanded its independently developed products of tours with guides, which were mainly created for Europe, increased the brand recognition of Impresso among the wealthy and seniors, for the number of whom travel will increase, and strengthen efforts to attract customers.
- In regards to online sales, the Group will strengthen the business as an important sales and marketing channel. While increasing the number of products that can be used with online and mobile services, the Group will create a product distribution network. The Group also constructed a new sales website for travel-related material such as hotels, car rentals, and optional tours, and worked to increase convenience in order to raise the added value of the whole website.
- As for corporate travel, the Group accelerated its expansion to not only major metropolitan areas but also local areas that are projected to experience growth in business demand. Appeals are being based on the price advantage and the airline ticket delivery capabilities that H.I.S. has built up, and the Group is working to develop new customers.
- In terms of overseas development, the Group continues to move forward with developing its global network. Moreover, the Group is improving the purchasing functions for items such as hotel rooms and services for customers from Japan, and is taking active steps on various fronts, including developing new tourist areas and products. Preparations have also been launched, particularly in Asia, to provide non-Japanese customers with travel services for trips that depart locally. In the future, the Group will actively develop travel services that make use of overseas offices and is moving forward with preparations to become a global travel company.
- Zero commissions, the official listing of prices by airlines which has been promoted the most in Europe, will be fully introduced into Japan starting in April 2009. Even though H.I.S. receives commissions related to arranging trips from the customer, the Group is challenging to provide even better services and shift to a new business model.

Within the hotel business, in addition to two hotels in Australia (Brisbane and the Gold Coast), the Watermark Hotel Sapporo, the first Watermark Hotel in Japan, was opened in December 2008. The Group is not only expanding its business foundation but also striving to secure stable earnings by improving the service level.

2. Financial Position

(1) Overview of Assets, Liabilities, and Net Assets

Total consolidated assets at the end of the current fiscal year increased by 2,754 million from the end of the previous fiscal year to 103,746 million yen, due mainly to an increase in cash and deposits, which rose by 2,698 million.

Liabilities rose 5,923 million yen from the end of the previous fiscal year to 58,536 million yen, due mainly to an increase of 5,768 million yen in foreign exchange contracts.

Net assets decreased by 3,169 million yen as compared with the end of the previous fiscal year to 45,210 million yen, due mainly to a decline of 3,399 million yen in deferred loss on hedges.

(2) Overview of Consolidated Cash Flows in the Fiscal Year Ended October 31, 2008

Consolidated cash and cash equivalents as of the end of the current fiscal year declined by 7,915 million yen from the end of the previous fiscal year to 31,080 million yen. Cash inflow from operating activities was 5,392 million yen, cash outflow from investment activities was 11,035 million yen, and cash outflow from financing activities was 1,636 million yen.

The specifics for each category of cash flow for the consolidated fiscal year are as follows:

Cash flow from operating activities

Cash inflow provided by operating activities for the current fiscal year was 5,392 million yen. The primary factors were the booking of 2,600 million in net income before taxes, the increase of pre-trip deposits (an inflow of 945 million), and the decrease of 719 million in receivables.

Cash inflow provided by operating activities for the previous fiscal year was 5,148 million. The primary factors behind the increase were the booking of 7,507 million in net income before taxes and the increase of 1,883 million in pre-trip deposits. The primary factor behind the decrease was 4,087 million in payment of income taxes.

Cash inflow from operating activities for the current consolidated fiscal year therefore rose by 243 million yen year-on-year compared with the previous fiscal year.

Cash flow from investing activities

Cash outflow from investment activities for the current fiscal year was 11,035 million yen. The main reason for cash inflow were the redemption of 3,644 million yen worth of term deposits, and proceed from the redemption of 2,931 million yen worth of marketable securities and investment securities. The main reasons for cash outflow were term deposits (an outflow of 13,354 million yen) and acquisitions of marketable securities and investment securities (an outflow of 3,738 million yen in total).

Cash outflow for investment activities for the previous fiscal year was 1,793 million yen. This was due to fact that expenditures such as those for the purchase of marketable securities and investments in securities (-3,389 million yen) and the purchase of the tangible and intangible fixed assets (-1,109 million yen) surpassed the proceeds from the redemption of marketable securities and investment in securities (+3,100 million yen).

Cash inflow from investment activities for the current consolidated fiscal year therefore fell by 9,242 million yen year-on-year, as compared with the previous fiscal year.

Cash flow from financing activities

Cash outflow from financing activities for the current fiscal year was 1,636 million, primarily due to purchase of treasury stock (an outflow of 961 million yen) and the payment of dividends (an outflow of 661 million).

Cash outflow for financing activities for the previous consolidated fiscal year was 1,405 million yen. This resulted primarily from purchase of treasury stock (an outflow of 705 million yen) and the payment of dividends for the company (an outflow of 667 million yen).

Cash flow from financing activities for the current consolidated fiscal year therefore improved by 230 million yen as compared with the previous fiscal year.

Cash flow indices

Recent trends in cash flow-related indices are as follows:

	FY 10/2008	FY 10/2007	FY 10/2006	FY 10/2005	FY 10/2004
Equity ratio (%)	43.2	47.5	47.3	50.9	43.3
Equity ratio based on market price (%)	43.9	71.5	101.0	102.1	92.1
Debt service coverage (%)	3.9	3.4	2.0	—	2.7
Interest coverage ratio (times)	754.9	577.7	978.9	—	1,235.6

Notes:

- A) Equity ratio = Total shareholders' equity / Total assets
- B) Equity ratio based on market price = Market capitalization / Total assets
- C) Debt service coverage = Interest-bearing debt / Operating cash flow
- D) Interest coverage ratio = Operating cash flow / Interest paid

* All indices are calculated from consolidated financial results figures.

* Market capitalization = Market price on last trading day of specified period × total shares outstanding at end of period (excluding treasury stock)

* Interest-bearing debt is the interest-bearing portion of liabilities recorded on the consolidated balance sheet.

* Operating cash flow and Interest paid are from the respective parts of the consolidated statements of cash flows.

* Debt service coverage and the interest coverage ratio are not recorded for the end of the fiscal year ending October 31, 2005, as operating cash flow was negative in that period.

3. Allocation of profits

(1) Basic approach to allocation of profits

Returning profits to shareholders is one of the Company's key management issues. The H.I.S. Group aims to maximize Group enterprise value, and at the same time pay stable and continuous dividends based on the Company's financial performance and taking into account overall factors including global economic and business trends, the state of the Group and future business development.

(2) Basic approach to dividends

Profit sharing with shareholders is based on the concept of sustainable, stable dividends from profits. H.I.S. has adopted a system of interim dividends, but there is a tendency for a greater share of annual sales to be recorded in the second half of the fiscal year. Therefore, at the present time, dividends are paid on a yearly basis in order to realize fair dividends in terms of earnings.

(3) Utilization of internal capital reserves

In addition to preparing for sudden changes in the travel industry and competition and reorganization within the industry and making active investments in the IT business, there is a greater need to respond to unexpected external factors such as recent terrorism and SARS (sudden acute respiratory syndrome) and sudden phenomena that the Group's customer encounter. Under these conditions, there is a strong awareness of the importance of creating a stable financial base that can be realized immediately and there is a desire to keep internal reserves relatively thick and stabilize the business foundation.

Based on the above basic policy on the distribution of profits, it is expected that H.I.S. will pay an end-of-year dividend of 24.00 yen per share.

H.I.S. expected to pay a dividend of 24.00 yen per share for the next fiscal year as a sustainable and stable dividend. However, if performance worsens in uncertain market conditions, the Company will remain flexible in responding to the situation.

4. Business and Other Types of Risk

The following types of events have the potential to affect the operating results, financial status, the stock price and other factors for the corporate group. Having recognized the potential for such risks, the Group intends to make every effort to avoid them and to address them in the event such risks should occur.

The matters pertaining to the future noted in this section were those determined by the Group as of the announcement date of the financial statement (December 22, 2008). Business and other risks are not limited to these risks.

(1) Specific Management Policies Adopted by the Company

The travel business comprises 99.3% of group sales by segment; sales by region are also concentrated in

Japan, at 93.8%. Changes in the environment for the travel business in Japan therefore have the potential to affect the Group's financial status, operating results, etc.

(2) External Factors Surrounding the Travel Business

Parent sales, which were affected by an increase in fuel surcharges associated with the sharp rise in crude oil prices, accounted for 88.3% of group sales, and overseas travel comprised 94.0% of parent sales. The company is currently adding a fuel surcharge to overseas travel fares to reflect the change in crude oil prices. A sharp increase in this fuel surcharge could dampen overall demand and adversely affect the financial condition and business results of the Group.

(3) Share of Travel to Asia Handled

Asia comprises the greatest share of the number of overseas travelers from Japan handled by the Group according to destination, at 58.5% (comprising 41.6% of sales). This percentage is nearly the same as the number of travelers by destination for Japanese people overall. Operating results could be greatly influenced by changes in the external environment for the destinations in question (terrorism, infectious diseases, natural disasters, etc.).

(4) Competition with Other Competitors, Direct Sales by Suppliers

The Group Travel Business is subject to stiff competition from various other competitors or direct sales by suppliers; Group financial status, operating results, and other factors could be affected if stiffer competition on prices were to occur.

(5) Reduction in commissions on airline tickets sold at the published fare by airline companies

The Group also sells airline tickets at published fares that airline companies provide tickets directly to consumers. It is possible that in the future commissions on airline tickets paid to travel agencies by airline companies could be reduced or eliminated. This could affect items such as the financial position and earnings of the Group.

(6) Fluctuations in the Valuation of Owned Assets such as Securities

The Group holds both listed and unlisted shares and also holds debt and other instruments. Hence, the Group's financial status and operating results could be affected by movements in prices for securities possessing a market value, and by the occurrence of losses on sale and valuation losses for securities without a market price due to changes in the financial status of companies in which we have invested.

(7) Exchange Rate Fluctuations

The Group conducts business in foreign currencies and therefore incurs income and expenses as well as assets and liabilities in foreign currencies as a result. The Group hedges risk through forward exchange contracts and other instruments to mitigate the impact of exchange rate fluctuations.

If the yen appreciates beyond the contracted exchange rate, the Group may have to purchase foreign currency at the contracted exchange rate. As a result, without some of the benefits of an improvement in income due to

the strengthening of the yen being reflected, the Group's financial position and earnings could be negatively affected.

The Group also translates the financial statements of consolidated overseas subsidiaries into Japanese Yen when producing the consolidated financial statements. This could affect the Group's financial status, operating results, and other factors should there be fluctuation in exchange rates.

(8) Debt Guarantees, etc.

The Group has concluded debt guarantee agreements with vendors regarding payments generated during operations. It has been determined that there is a very low probability that there will be demands for payment of the guarantees, but if there were demands for payment, this could negatively impact the financial position and earnings of the Group.

(9) Risk of External Factors Surrounding the Travel Business

- Changes in the world situation such as terrorism, war, and other events
- Occurrence of infectious diseases, etc.
- Damage to the tourism infrastructure resulting from natural disasters
- Global disorder as a result of sudden changes in exchange rates

II. Current State of the H.I.S. Group

H.I.S. Group (H.I.S. Co., Ltd. and its subsidiaries) comprises H.I.S. Co., Ltd., 53 subsidiaries and 9 affiliated companies. The locations and main businesses of the principal subsidiaries are outlined in the following tables, which are organized by the business categories used in segment information.

(1) Travel Business

H.I.S. Group businesses undertake domestic and overseas travel and related operations in the following regions. Consolidated subsidiaries carry out travel-related business in the various business segments.

Subsidiaries (46)

Japan	Asia / Oceania
No. 1 Travel Shibuya Co., Ltd. ¹ H.I.S. Okinawa Co., Ltd. ¹ Orion Tour Co., Ltd. ¹ Passeport Co., Ltd. (presently dormant) ATB Co., Ltd. ¹ Cruise Planet Co., Ltd. ¹ H.I.S Experience Japan CO., LTD. ¹	H.I.S. (HONG KONG) COMPANY LIMITED ¹ H.I.S. WESTRALIA PTY LTD. ¹ H.I.S. AUSTRALIA PTY. LTD. ¹ H.I.S. KOREA CO., LTD. ¹ H.I.S. INTERNATIONAL TRAVEL PTE LTD. ¹ PT. HARUM INDAH SARI TOURS AND TRAVEL ¹ H.I.S. INTERNATIONAL TOURS KOREA INC. ¹ H.I.S. TOURS CO., LTD. ¹ MAPTOUR MONGOLIA LLC Japan H.I.S. Tours Pvt Ltd H.I.S. (PHILIPPINES) TRAVEL CORP. H.I.S. MALDIVES TRAVEL PTE LTD H.I.S. TRAVEL (MALAYSIA) SDN BHD HIS (FIJI) LIMITED ¹ H.I.S. (Cambodia) Travel Co., Ltd. H.I.S. (MACAU) TRAVEL COMPANY LIMITED H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD. H.I.S. Travel (India) Private Limited. HIS Uluslararası Turizm Seyahat Acentasi Limited Sirketi H.I.S. Travel (U.A.E) L.L.C. H.I.S. (HAINAN) INTERNATIONAL TRAVEL SERVICE CO., LTD.

Americas	Europe
H.I.S. U.S.A. Inc. ¹ H.I.S. INTERNATIONAL TOURS (NY) INC. ¹ H.I.S. TOURS USA, INC. ¹ HAWAII HIS CORPORATION ¹ H.I.S. TOURS (NEVADA) INC. ¹ H.I.S. INTERNATIONAL TOURS (CARIBBEAN) LTD. ¹ H.I.S. CANADA INC. ¹ H.I.S. GUAM, INC. ¹ H.I.S. SAIPAN, INC. ¹ H.I.S. CANCUN S.A. DE C.V. ¹	H.I.S. Deutschland Touristik GmbH. ¹ H.I.S. INTERNATIONAL TOURS FRANCE S.A.R.L. ¹ H.I.S. EUROPE ITALY S.R.L. ¹ H.I.S. Travel Switzerland AG H.I.S. EUROPE LIMITED ¹ VIAJES H.I.S. MADRID S.A. ¹ H.I.S. (Austria) Travel GmbH H.I.S. Travel Nederland B.V.i.o.

Affiliated Companies (5)

Japan	Asia/ Oceania
_____	NEW WORLD TRAVEL INTERNATIONAL PTY. LTD. H.I.S. TRAVEL (NEW ZEALAND) LIMITED H.I.S. TAIWAN COMPANY LIMITED ² H.I.S.-SONGHAN VIETNAM TOURIST JOINT VENTURE COMPANY LTD.

Americas	Europe
H.I.S. INTERNATIONAL TOURS (L.A.), INCORPORATED. ²	

Notes: 1. Consolidated subsidiary 2. Equity-method affiliate

The subsidiary, H.I.S. U.S.A., Inc. is an equity affiliate that holds shares in H.I.S. INTERNATIONAL TOURS (NY) INC.; H.I.S. TOURS USA, INC., HAWAII HIS CORPORATION; H.I.S. GUAM, INC.; H.I.S. SAIPAN, INC.; and H.I.S. INTERNATIONAL TOURS (L.A.), INCORPORATED. This subsidiary is included in the results by segment under the travel business.

During the current fiscal year, H.I.S. Experience Japan Co., LTD. became a consolidated subsidiary.

H.I.S. (PHILIPPINES) TRAVEL CORP., H.I.S. (HAINAN) INTERNATIONAL TRAVEL SERVICE CO., LTD., and H.I.S. Travel Nederland B.V.i.o., which were established as a subsidiary during the current fiscal year, were excluded from the scope of consolidated and equity method application and is not included in business segment information.

(2) Hotel Business

The Group operates a hotel business and other ancillary businesses in Australia and other countries.

H.I.S. Investments Pty. Ltd. and WHG Investments Brisbane Pty. Ltd. in Australia own hotels on the Gold Coast and in the city of Brisbane; the management of those hotels has been consigned to The Watermark Hotel Group Pty. Ltd. L'Mark Pty. Ltd. provides food service in hotels.

SIPADAN WATER VILLAGE AND TOURS SDN. BHD. in Malaysia also engages in the hotel business in Sabah Province.

WATERMARK HOTEL JAPAN CO., LTD. is preparing to operate a hotel business and other ancillary businesses.

Subsidiaries	Affiliated Companies
H.I.S. INVESTMENTS PTY LTD. ¹ THE WATERMARK HOTEL GROUP PTY LTD. ¹ WATERMARK HOTEL JAPAN CO., LTD. H.I.S. AUSTRALIA HOLDINGS PTY LTD. ¹ WHG Investments Brisbane Pty. Ltd. ¹ L' Mark Pty. Ltd. ¹	SIPADAN WATER VILLAGE AND TOURS SDN BHD.

Note: 1. Consolidated subsidiary

H.I.S. Group subsidiary H.I.S.AUSTRALIA HOLDINGS PTY LTD. is a holding company that owns 100% of the shares of H.I.S.INVESTMENTS PTY LTD., H.I.S.PROPERTIES PTY LTD., THE WATERMARK HOTEL GROUP PTY LTD. and WHG Investments Brisbane Pty. Ltd. The holding company is included in the Hotel business segment.

(3) Other Businesses

KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. operates long-distance and tour bus businesses.

East Asia Strategic Holdings Ltd. operates a consulting business.

800th Anniversary of the Mongolian States LLP. is engaged in the planning and management of events.

H.I.S. PROPERTIES PTY LTD., which previously sold condominiums on the Gold Coast, ceased operations after selling all the properties it owned.

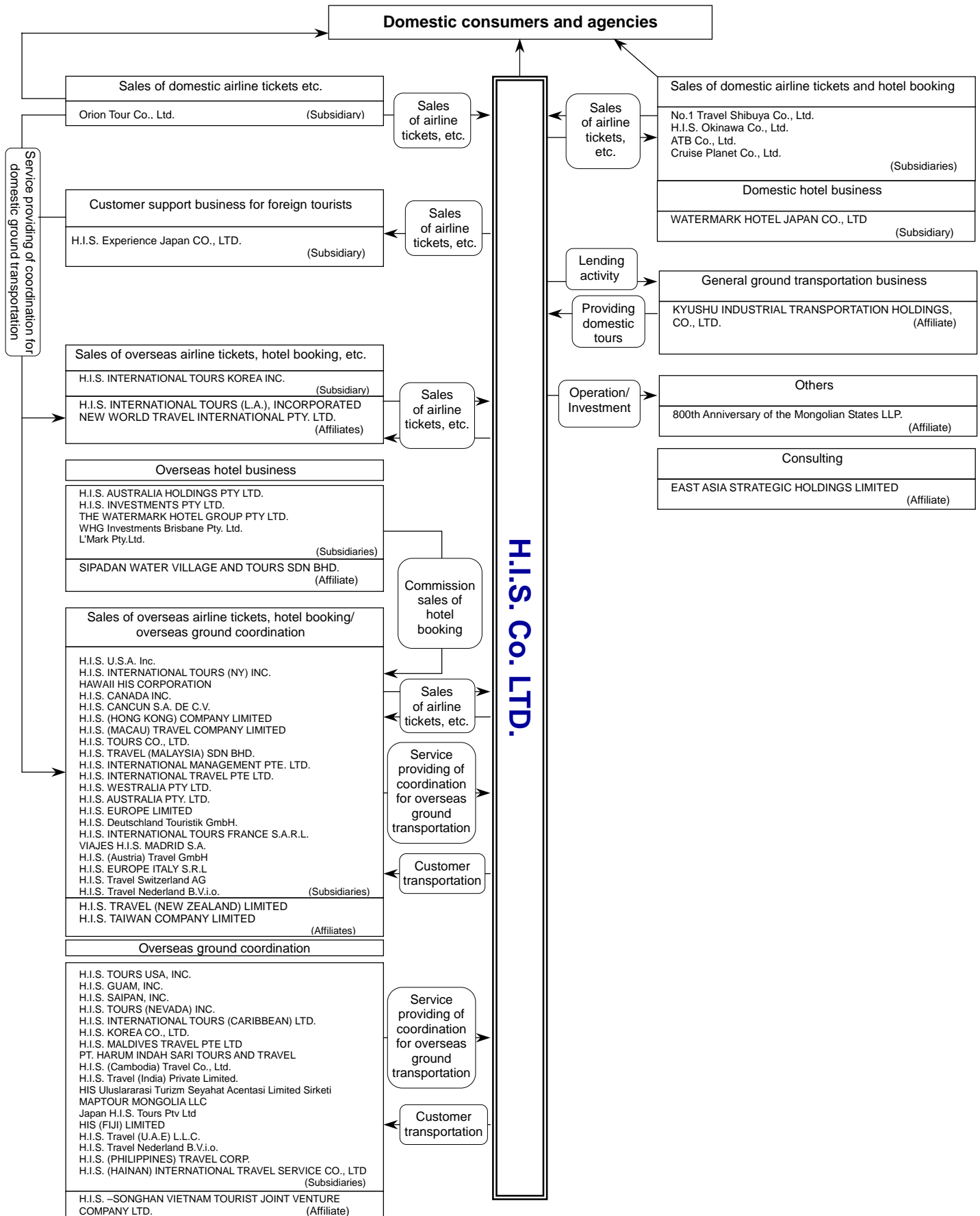
Subsidiaries	Affiliated Companies
H.I.S. PROPERTIES PTY LTD.	KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. ¹ EAST ASIA STRATEGIC HOLDINGS LTD. 800th Anniversary of the Mongolian States LLP.

Note: 1. Equity-method affiliate

The subsidiary Persona Co., Ltd., and the affiliated company HIS-HS Kyushu Sanko Investment Partnership were dissolved and liquidated during the current fiscal year.

During the current consolidated period, a total of 18 subsidiaries and 6 affiliated companies have been excluded from consolidation and from the application of the equity method. This is due to the relative lack of importance of these subsidiaries and affiliates to the Group.

The table following illustrates Group operating relationships.



III. Management Policy

(1) Basic management policy

Under the corporate concept of "increasing the knowledge of people throughout the world, not being limited by factors such as nationality, race, culture and religion, and contributing to the promotion of world peace and mutual understanding through tourism," the Group strives everyday to develop products and provide services that are trusted by and satisfy customers. While always working to develop the travel business, the Group's core business, from a customer perspective and giving sufficient consideration to safety and peace of mind, the Group is working to further improve customer satisfaction. In addition, the Group will do its most to expand globally so that it can become a travel company that is supported in regions throughout the world.

(2) Management goals and indicators

The Group is working to achieve a target that aims for the top position in the number of handling passengers and sales in the field of traveling abroad to ensure a solid position within the travel industry. The Group is also actively conducting purchasing, planning, and sales that make use of its global network in order to improve both growth and profitability. Furthermore, overall operations are being revised, which involves introducing IT-based systems, improving efficiency, and strengthening the education and training system, and the efficiency of each employee will be improved.

(3) Medium- to long-term business strategy

Through focusing our Group's business resources on our core travel business, we aim to establish an advantage in the travel market. Stronger efforts based on an awareness of the importance of greater productivity and operational efficiency, such as developing new sales channels that actively make use of IT such as the Internet, will be undertaken. The Group is working to increase convenience of customers and is aiming to become a travel company that continues to be trusted and supported. Details are provided below.

- **Increasing share of overseas travel**

We are implementing new policies to capture more of the market for overseas departures from Japan by value and volume to take the top share of this market. While strengthening the field of individual travel and the youth market, which are the Group's core competency built up to now, the Group is pursuing greater merits of scale through the development of new markets that are projected to grow, such as for corporate/group travel and seniors. In addition, stronger partnerships with suppliers will be built, purchasing will be strengthened, and dominant sales abilities will be developed.

- **Strengthening and expanding Internet business**

At a time when the importance of the Internet is growing each year, the Group will create a website that is highly usable from the perspective of customers, will develop products that meet customer needs, and is aiming to construct the number one website in the industry. While also expanding the product distribution

network using online and mobile communications, the Group will work on new possibilities, such as providing services that meld offices with the Internet.

- **Strengthening global expansion**

The Group is focusing on the continued development of the business in the medium and long term and will work to expand the travel business in addition to expanding sales, centered on Japan. Efforts will be made to expand the network of local offices overseas, to further expand the provision of products, and information and the support system for customers visiting each region, and to differentiate the Group from its rivals. In addition, the Group will move forward with preparations to provide overseas travel to customers in the local market of each country, particularly within Asia. Prepared travel that makes use of overseas offices will actively be developed, and the goal is to transform the company into a global travel company.

Furthermore, the Group will fully enter the market for travel to Japan, which is expected to continue to grow through the government's Visit Japan campaign. Aiming to construct a new earnings base, the Group will strengthen its efforts related to travel to Japan provided by domestic sections and subsidiaries.

(4) Key issues

For fiscal 2008, the number of Japanese departing from Japan is expected to fall dramatically short of the figure for the previous fiscal year and stagnate. The situation will likely be affected by various factors including Japanese economic trends and external factors, and the future is expected to be harsh. Under these conditions, the following are the major issues related to the travel business that should be dealt with by the Group.

- **Meeting diverse customer needs**

The travel needs of customers are becoming more diverse, and there is growing demand for products with a high degree of freedom and that let travelers travel in their own style. The Group is aiming not only to expand the breadth of its product lineup but also to realize other goals such as strengthening personal service so that the most appropriate travel recommendations can be made that meet customer needs and further expanding support system at overseas destinations.

- **The rise of other major travel companies and online agents**

There has been a steady increase in other major travel companies and Internet ticket sales through specialized travel agencies. The Group will ascertain the trends of the industry and rivals and implement efforts related to business and sales such as developing products and handling customers that always take into account top speed and is aiming to win a firm share of the market.

- **Reinforcing personnel development, education and training**

The Group recognizes the importance of continually capturing and developing top human resources who are able to respond to international competition and is working to strengthen its recruiting and training activities. At

a time of growing diversity in travel needs and age groups of travelers, it is considered important to improve the knowledge of staff and the quality of both customer contact and services. The Group considers expanding the education and training of staff a priority issues and is working to do so.

- **Efforts to increase peace of mind, safety, and quality**

As a travel company, the Group recognizes that striving to improve safety, peace of mind, and quality is the most important factor to win the support of customers in the future. Active efforts will be made on various fronts including constructing unique products that take into consideration travel itineraries and examining the safety of local hotels and tourist sites, and work will be undertaken to provide travel products and information that continue to be satisfying.

- **Corporate Social Responsibility (CSR)**

Expanding its travel business throughout the world, the Group is aware of its social responsibility, aggressively promotes activities such as thoroughly implementing compliance, repaying local communities, and preserving the environment, and is faithfully working to fulfill its social responsibility as a corporation.

(5) Other important matters in company management

No other matters.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

	<i>Millions of yen</i>			
	As of October 31, 2008	%	As of October 31, 2007	%
ASSETS		%		%
Current assets				
Cash and deposits.....	43,555		40,856	
Notes & accounts receivable	5,652		4,342	
Accrued sales receivable.....	9,683		11,864	
Marketable securities.....	1,038		3,106	
Deferred tax assets	5,684		2,181	
Travel deposits	10,336		8,586	
Pre-paid expenses.....	856		835	
Short-term loans receivable.....	45		74	
Short-term loans to affiliates	69		6	
Other current assets	2,019		1,321	
Allowance for doubtful accounts.....	(29)		(14)	
Total current assets	78,911	76.1	73,160	72.4
Fixed assets				
Tangible fixed assets				
Buildings and structures	8,218		7,944	
Accumulated depreciation	(2,620)		(2,343)	
Equipment and fittings.....	3,469		3,353	
Accumulated depreciation	(2,675)		(2,559)	
Land	1,742		1,743	
Other fixed assets	300		319	
Accumulated depreciation	(196)		(208)	
Total tangible fixed assets	8,238	7.9	8,248	8.2
Intangible fixed assets	1,487	1.4	1,332	1.3
Investments and other assets				
Investments in securities	4,922		8,677	
Shares in affiliates	3,131		1,973	
Investments in affiliates	27		32	
Long-term loans receivable	403		455	
Long-term loans to affiliates	1,020		1,167	
Long-term prepaid expenses.....	19		33	
Guarantee deposits	4,549		4,306	
Deferred tax assets	944		968	
Other investments and other assets.....	232		788	
Allowance for doubtful accounts.....	(143)		(153)	
Total investments and other assets	15,109	14.6	18,249	18.1
Total fixed assets.....	24,835	23.9	27,831	27.6
Total Assets	103,746	100.0	100,992	100.0

	<i>Millions of yen</i>			
	As of October 31, 2008		As of October 31, 2007	
LIABILITIES		%		%
Current liabilities				
Notes & accounts payable	16,362		17,252	
Long-term debt to be repaid within one year	158		175	
Accrued payable	966		884	
Accrued expenses	1,586		1,504	
Accrued income taxes	289		1,078	
Accrued consumption taxes	362		485	
Pre-trip deposits	24,926		24,013	
Accrued bonuses	2,114		1,788	
Accrued bonuses for directors	53		32	
Short-term accrued interest for travel funds	3		1	
Forward exchange contracts	7,763		1,995	
Other current liabilities	1,916		1,568	
Total current liabilities	56,504	54.5	50,780	50.3
Long-term liabilities				
Long-term debt	50		—	
Deferred tax liabilities	3		7	
Accrued employees' retirement benefits	1,425		1,274	
Accrued directors' and statutory auditors' retirement benefits	418		390	
Long-term accrued interest for travel funds	2		1	
Other long-term liabilities	132		157	
Total long-term liabilities	2,032	1.9	1,832	1.8
Total liabilities	58,536	56.4	52,612	52.1
NET ASSETS				
Shareholders' Equity				
Common stock	6,882	6.6	6,882	6.8
Capital surplus	7,782	7.5	7,782	7.7
Retained earnings	34,946	33.7	33,391	33.1
Treasury stock	(2,519)	(2.4)	(1,563)	(1.6)
Total shareholders' equity	47,092	45.4	46,493	46.0
Appraisal and translation differences				
Unrealized holding losses on securities	(181)	(0.2)	(405)	(0.4)
Deferred gain/loss on hedges	(4,582)	(4.4)	(1,183)	(1.2)
Translation adjustments	2,483	2.4	3,063	3.1
Total appraisal and translation differences	(2,281)	(2.2)	1,475	1.5
Minority interests	399	0.4	410	0.4
Total Net Assets	45,210	43.6	48,379	47.9
Total Liabilities and Net Assets	103,746	100.0	100,992	100.0

2. Consolidated Statements of Income

	<i>Millions of yen</i>			
	FY ended October 31, 2008	%	FY ended October 31, 2007	%
Net sales	368,384	100.0	362,084	100.0
Cost of sales	315,874	85.7	310,647	85.8
Gross profit	52,510	14.3	51,436	14.2
Selling, general and administrative expenses	46,607	12.7	45,074	12.5
Operating income	5,902	1.6	6,362	1.7
Non-operating income				
Interest income	824		597	
Commission income	1		0	
Foreign exchange gains	—		174	
Income from equity-accounted affiliates	313		339	
Others	203		162	
Total non-operating income	1,343	0.4	1,274	0.4
Non-operating expenses				
Interest expense	6		8	
Foreign exchange losses	965		—	
Addition to allowance for bad debt	—		53	
Loss on investment in partnership	4		35	
Others	63		28	
Total non-operating expenses	1,041	0.3	126	0.0
Ordinary income	6,204	1.7	7,510	2.1
Extraordinary gains				
Gain on sale of fixed assets	5		5	
Gain on sale of investment securities	39		51	
Refunded foreign tax	12		179	
Others	14		17	
Total extraordinary gains	70	0.0	252	0.1
Extraordinary losses				
Loss on disposal of fixed assets	53		58	
Loss on sale of fixed assets	2		2	
Loss on sale of investment securities	—		2	
Loss on valuation of investment securities	2,933		—	
Penalty for cancellation	19		—	
Settlement package	—		138	
Loss on prior period adjustment	57		5	
Accident-related costs	6		—	
Others	603		49	
Total extraordinary losses	3,676	1.0	257	0.1
Net income before income taxes	2,600	0.7	7,507	2.1
Income taxes - current	1,379		2,905	
Income taxes - deferred	(1,309)		41	
Subtotal	70	0.0	2,947	0.8
Minority interests	42	0.0	37	0.0
Net income	2,487	0.7	4,521	1.3

3. Consolidated Statements of Changes to Shareholders' Equity

Current fiscal year ended October 31, 2008

(millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of October 31, 2007	6,882	7,782	33,391	(1,563)	46,493
Changes in the period					
Dividends			(661)		(661)
Net income			2,487		2,487
Increase (decrease) due to increase in number of consolidated subsidiaries			(271)		(271)
Acquisition of treasury stock				(955)	(955)
Sale of treasury stock		0		0	0
Fluctuations other than shareholders' equity in the period (net)					—
Total change in the period	—	0	1,554	(955)	598
Balance as of October 31, 2008	6,882	7,782	34,946	(2,519)	47,092

	Appraisal and Translation Differences				Minority interests	Total net assets
	Unrealized holding gains/losses on securities	Deferral gain/loss on hedges	Translation adjustments	Total appraisal and translation differences		
Balance as of Oct 31, 2007	(405)	(1,183)	3,063	1,475	410	48,379
Changes in the period						
Dividends				—		(661)
Net income				—		2,487
Increase (decrease) due to increase in number of consolidated subsidiaries				—		(271)
Acquisition of treasury stock				—		(955)
Sale of treasury stock				—		0
Fluctuations other than shareholders' equity in the period (net)	223	(3,399)	(580)	(3,756)	(11)	(3,768)
Total change in the period	223	(3,399)	(580)	(3,756)	(11)	(3,169)
Balance as of Oct 31, 2008	(181)	(4,582)	2,483	(2,281)	399	45,210

4. Consolidated Statements of Cash Flows

	<i>Millions of yen</i>	
	FY ended October 31, 2008	FY ended October 31, 2007
I. Cash flows from operating activities		
Net income before income taxes.....	2,600	7,507
Depreciation and amortization	1,185	1,273
Amortization of goodwill	39	5
Increase in allowance for doubtful accounts	5	55
Increase (decrease) in accrued bonuses	331	(78)
Increase (decrease) in accrued bonuses for directors	22	(11)
Increase in accrued employees' retirement benefits.....	154	219
Increase (decrease) in accrued directors' and statutory auditors' retirement benefits	27	(34)
Increase in accrued interest for travel funds.....	2	1
Interest and dividend income	(886)	(673)
Gain on equity-accounted affiliates	(313)	(339)
Loss (gain) from foreign exchange.....	1,033	(18)
Interest expense	6	8
Loss on investment partnership	4	35
Gain on sale of investment securities.....	(39)	(51)
Loss on sale of investment securities.....	27	2
Appraisal loss on investment securities	2,933	—
Gain on sale of tangible fixed assets	(5)	(5)
Loss on sale of tangible fixed assets	2	2
Loss on disposal of tangible fixed assets.....	52	53
Other losses (gains)	577	197
Increase in accounts receivable.....	719	(1,523)
Increase in pre-paid travel deposits	(1,792)	(855)
Increase in other assets.....	(154)	(518)
Increase (decrease) in notes and accounts payable.....	(541)	1,145
Decrease in accrued consumption taxes	(120)	(33)
Increase in accrued expenses	77	59
Increase in pre-travel deposits	945	1,883
Other increase in liabilities	223	231
Sub-total	7,118	8,538
Interest and dividends received	718	706
Interest paid	(7)	(8)
Income taxes paid	(2,437)	(4,087)
Net cash provided by operating activities	5,392	5,148

	<i>Millions of yen</i>	
	FY ended October 31, 2008	FY ended October 31, 2007
II. Cash flows from investing activities		
Increase in term deposits	(13,354)	(3,829)
Decrease in term deposits	3,644	3,658
Purchase of marketable securities	(1,805)	(1,080)
Proceeds from sale of marketable securities	1,086	0
Proceeds from redemption of marketable securities	2,777	2,400
Purchase of tangible and intangible fixed assets	(1,561)	(1,109)
Proceeds from sale of tangible and intangible fixed assets	10	9
Purchase of investment securities	(1,933)	(2,308)
Purchase of shares of affiliates	(1,105)	(236)
Purchase of shares from minority shareholders	(2)	—
Purchase of newly consolidated subsidiaries	—	(187)
Proceeds from sale of investment securities	1,291	850
Proceeds from redemption of investment securities	154	700
Proceeds from sale of shares of affiliates and other investments	—	10
Increase in loans receivable	(396)	(2,719)
Collection of loans receivable	404	2,372
Increase in guarantee deposits	(719)	(856)
Collection of guarantee deposits	453	571
Decrease (increase) in other investments	19	(37)
Net cash used in investing activities	(11,035)	(1,793)
III. Cash flows from financing activities		
Increase in short-term borrowings	24	24
Repayment of short-term borrowings	(54)	(24)
Increase in long-term debt	50	179
Repayment of long-term debt	(17)	(193)
Cash dividends paid	(661)	(667)
Distribution of dividends to minority shareholders	(16)	(17)
Purchase of treasury stock	(961)	(705)
Proceeds from sales of treasury stock	0	0
Net cash used in financing activities	(1,636)	(1,405)
IV. Effect of exchange rate changes on cash and cash equivalents	(645)	530
V. Increase (decrease) in cash and cash equivalents	(7,925)	2,480
VI. Cash and cash equivalents at beginning of period	38,995	36,515
VII. Cash and cash equivalents from newly consolidated subsidiaries at beginning of period	9	—
VIII. Cash and cash equivalent at end of period	31,080	38,995

Segment Information

1. Segment Information by Business

Current Fiscal Year ended October 31, 2008

(millions of yen)

	Travel business ⁽¹⁾	Hotel business ⁽²⁾	Other businesses ⁽³⁾	Total	Eliminations & Corporate	Consolidated
I. Net sales and operating income						
Net sales						
(1) Sales to outside customers	365,893	2,464	26	368,384	—	368,384
(2) Inter-segment sales / transfers	—	60	—	60	(60)	—
Total	365,893	2,525	26	368,445	(60)	368,384
Operating expenses	357,373	2,287	0	359,661	2,820	362,482
Operating income	8,520	238	25	8,784	(2,881)	5,902
II. Assets, depreciation and capital expenditure						
Assets	52,943	7,842	251	61,038	42,708	103,746
Depreciation	566	196	0	763	421	1,185
Capital expenditure	856	201	—	1,058	426	1,484

Notes:

1. Business segments are classified according to those used internally by management.

2. The main business of each segment is as follows:

⁽¹⁾ Travel business: Travel business and associated businesses

⁽²⁾ Hotel business: Ownership and maintenance of hotels

⁽³⁾ Other businesses: Real estate business

3. Unallocated operating expenses in the fiscal year ended October 31, 2008 were 2,881 million yen. The factors contributing to this were expenses related to the administrative department headquarters.

4. Corporate assets included under eliminations and corporate for the fiscal year ended October 31, 2008 were 42,714 million yen. These mainly comprised the management of surplus funds (cash and cash equivalents and securities) at the parent company and assets related to the Administration Department of headquarters.

5. Long-term pre-paid expenses and their associated amortization amounts are included in depreciation expenses and capital expenditure.

6. Previously the incomes and expenses of foreign subsidiaries were translated into the yen using the spot exchange rate on the day that the books are closed. From the current fiscal year, the company has adopted the average exchange rate during the fiscal year for the translation. In travel business, this change resulted in a 513 million yen increase in net sales and 25 million yen increase in operating income. In hotel business, net sales fell by 90 million yen and operating income fell by 8 million yen.

Previous Fiscal Year ended October 31, 2007

(millions of yen)

	Travel business ⁽¹⁾	Hotel business ⁽²⁾	Other businesses ⁽³⁾	Total	Eliminations & Corporate	Consolidated
I. Net sales and operating income						
Net sales						
(1) Sales to outside customers	359,916	2,141	26	362,084	—	362,084
(2) Inter-segment sales / transfers	—	62	—	62	(62)	—
Total	359,916	2,203	26	362,146	(62)	362,084
Operating expenses	351,168	1,967	0	353,136	2,585	355,722
Operating income	8,748	236	25	9,009	(2,647)	6,362
II. Assets, depreciation and capital expenditure						
Assets	50,713	7,200	252	58,167	42,824	100,992
Depreciation	454	187	0	642	630	1,273
Capital expenditure	877	315	—	1,193	148	1,342

Notes:

1. Business segments are classified according to those used internally by management.

2. The main business of each segment is as follows:

⁽¹⁾ Travel business: Travel business and associated businesses

⁽²⁾ Hotel business: Ownership and maintenance of hotels

⁽³⁾ Other businesses: Real estate business

3. Unallocated operating expenses in the fiscal year ended October 31, 2007 were 2,647 million yen. The factors contributing to this were expenses related to the administrative department headquarters.

4. Corporate assets included under eliminations and corporate for the fiscal year ended October 31, 2007 were 42,830 million yen. These mainly comprised the management of surplus funds (cash and cash equivalents and securities) at the parent company and assets related to the Administration Department of headquarters.

5. Long-term pre-paid expenses and their associated amortization amounts are included in depreciation expenses and capital expenditure.

2. Segment Information by Geographical Area

Current Fiscal Year ended October 31, 2008

(millions of yen)

	Japan	America	Asia / Oceania	Europe	Total	Eliminations & Corporate	Consolidated
I. Net sales							
(1) Sales to outside customers	345,483	7,160	9,742	5,997	368,384	—	368,384
(2) Inter-segment sales / transfers	45	15,523	12,714	3,998	32,282	(32,282)	—
Total	345,528	22,684	22,457	9,996	400,667	(32,282)	368,384
II. Operating expenses	338,518	22,207	21,336	9,820	391,883	(29,401)	362,482
Operating income	7,010	476	1,120	176	8,784	(2,881)	5,902
Assets	43,292	4,109	13,927	3,027	64,356	39,389	103,746

Notes:

1. The breakdown of regions other than Japan is as follows:

(1) America: U.S.A., Canada, Mexico, the Bahamas, Guam, Saipan

(2) Asia/Oceania: Hong Kong, South Korea, Singapore, Indonesia, Thailand, Australia, Fiji

(3) Europe: The United Kingdom, Germany, France, Italy, Spain

2. Unallocated operating expenses in the fiscal year ended October 31, 2008 were 2,881 million yen. The factors contributing to this were expenses related to the administration department headquarters.

3. Corporate assets included under eliminations and total company for the fiscal year ended October 31, 2008 were 42,714 million yen. These mainly comprised the management of surplus funds (cash and cash equivalents and securities) at the parent company and assets related to the Administration Department of headquarters.

6. Previously the incomes and expenses of foreign subsidiaries were translated into the yen using the spot exchange rate on the day that the books are closed. From the current fiscal year, the company has adopted the average exchange rate during the fiscal year for the translation. In America, this change resulted in a 222 million yen increase in net sales and 4 million yen increase in operating income. In Asia and Oceania, net sales rose by 312 million yen and operating income increased by 16 million yen. In Europe, net sales fell by 109 million yen and operating income fell by 4 million yen.

Previous Fiscal Year ended October 31, 2007

(millions of yen)

	Japan	America	Asia / Oceania	Europe	Total	Eliminations & Corporate	Consolidated
I. Net sales							
(1) Sales to outside customers	338,236	8,157	9,788	5,902	362,084	—	362,084
(2) Inter-segment sales / transfers	20	15,213	12,693	4,194	32,121	(32,121)	—
Total	338,256	23,370	22,481	10,096	394,205	(32,121)	362,084
II. Operating expenses	330,823	22,774	21,700	9,898	385,195	(29,473)	355,722
Operating income	7,433	596	781	198	9,009	(2,647)	6,362
Assets	40,023	5,068	13,124	3,011	61,228	39,763	100,992

Notes:

1. The breakdown of regions other than Japan is as follows:

- (1) America: U.S.A., Canada, Mexico, the Bahamas, Guam, Saipan
- (2) Asia/Oceania: Hong Kong, South Korea, Singapore, Indonesia, Thailand, Australia, Fiji
- (3) Europe: The United Kingdom, Germany, France, Italy, Spain

2. Unallocated operating expenses in the fiscal year ended October 31, 2007 were 2,647 million yen. The factors contributing to this were expenses related to the administration department headquarters.

3. Corporate assets included under eliminations and total company for the fiscal year ended October 31, 2007 were 42,830 million yen. These mainly comprised the management of surplus funds (cash and cash equivalents and securities) at the parent company and assets related to the Administration Department of headquarters.

V. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

	<i>Millions of yen</i>			
	As of October 31, 2008	%	As of October 31, 2007	%
ASSETS				
Current assets				
Cash and deposits	32,092		29,632	
Notes & accounts receivable	5,083		3,434	
Accrued sales receivable	8,035		10,452	
Marketable securities	1,038		3,025	
Travel deposits	9,574		7,756	
Pre-paid expenses	670		666	
Deferred tax assets	5,663		2,162	
Accrued income	207		60	
Short-term loans receivable	26		62	
Short-term loans to affiliates	474		274	
Accrued revenue	1,370		1,265	
Other current assets	1,345		1,052	
Allowance for doubtful accounts	(61)		(38)	
Total current assets	65,520	72.2	59,805	67.1
Fixed assets				
Tangible fixed assets				
Buildings and structures	1,755		1,550	
Accumulated depreciation	(819)		(722)	
Vehicles	10		10	
Accumulated depreciation	(9)		(8)	
Equipment and fittings	1,746		1,671	
Accumulated depreciation	(1,223)		(1,129)	
Land	235		235	
Total tangible fixed assets	1,697	1.9	1,607	1.8
Intangible fixed assets				
Goodwill	5		8	
Trade mark rights	21		18	
Telephone subscription rights	79		79	
Telephone facility access rights	1		1	
Software	1,007		896	
Other intangible fixed assets	28		13	
Total intangible fixed assets	1,144	1.3	1,017	1.1

	<i>Millions of yen</i>			
	As of October 31, 2008	%	As of October 31, 2007	%
Investments and other assets				
Investments in securities	4,922		8,431	
Shares in affiliates	10,718		11,167	
Investments in affiliates	313		317	
Long-term loans receivable	295		374	
Long-term loans to affiliates	1,295		1,259	
Long-term prepaid expenses	9		15	
Deferred tax assets	901		907	
Guarantee deposits	4,011		3,782	
Other investments and other assets	6		506	
Allowance for doubtful accounts	(72)		(74)	
Total investments and other assets	22,400	24.7	26,687	30.0
Total fixed assets	25,241	27.8	29,312	32.9
Total Assets	90,762	100.0	89,117	100.0

LIABILITIES

Current liabilities

Notes & accounts payable	14,241		14,089	
Accrued payable	934		820	
Accrued expenses	1,171		1,061	
Accrued income taxes	—		881	
Accrued consumption taxes	255		384	
Pre-trip deposits	23,124		22,207	
Insurance deposits	328		349	
Gift certificate	776		634	
Accrued bonuses	1,909		1,682	
Accrued bonuses for directors	26		22	
Short-term accrued interest for travel funds	3		1	
Reserve for loss on liquidation of affiliates	600		—	
Forward exchange contracts	7,750		1,995	
Other current liabilities	720		477	
Total current liabilities	51,842	57.1	44,608	50.1

Long-term liabilities

Accrued employees' retirement benefits	1,262		1,121	
Accrued directors' and statutory auditors' retirement benefits	394		369	
Long-term accrued interest for travel funds	2		1	
Guarantee deposits	40		40	
Other long-term liabilities	63		97	
Total long-term liabilities	1,763	2.0	1,631	1.8
Total liabilities	53,605	59.1	46,239	51.9

	<i>Millions of yen</i>			
	As of October 31, 2008	%	As of October 31, 2007	%
NET ASSETS				
Shareholders' Equity				
Common stock.....	6,882	7.6	6,882	7.7
Capital surplus.....	7,782	8.6	7,782	8.7
Capital reserve.....	7,778		7,778	
Other capital surplus.....	3		3	
Retained earnings.....	29,773	32.8	31,366	35.2
Earned reserve.....	246		246	
Contingent reserve				
Other reserve.....	27,565		25,565	
Retained earnings brought forward.....	1,962		5,555	
Treasury stock.....	(2,519)	(2.8)	(1,563)	(1.7)
Total shareholders' equity.....	41,919	46.2	44,467	49.9
Appraisal and translation differences				
Unrealized holding losses on securities.....	(180)	(0.2)	(407)	(0.5)
Deferred gain/loss on hedges.....	(4,582)	(5.1)	(1,183)	(1.3)
Total appraisal and translation differences.....	(4,763)	(5.3)	(1,590)	(1.8)
Total net assets.....	37,156	40.9	42,877	48.1
Total Liabilities and Net Assets.....	90,762	100.0	89,117	100.0

2. Non-consolidated Statements of Income

	<i>Millions of yen</i>			
	FY ended October 31, 2008		FY ended October 31, 2007	
Net sales.....	325,428	100.0	317,546	100.0
Overseas travel	306,029		299,272	
Domestic travel.....	16,890		15,425	
Other	2,508		2,848	
Cost of sales.....	284,563	87.4	277,537	87.4
Overseas travel	269,464		263,787	
Domestic travel.....	15,072		13,746	
Other	26		4	
Gross profit	40,865	12.6	40,009	12.6
Selling, general and administrative expenses	36,695	11.3	35,299	11.1
Operating income	4,169	1.3	4,709	1.5
Non-operating income				
Interest income.....	521		290	
Dividend income	277		355	
Commission income	24		25	
Foreign exchange gains	—		47	
Others.....	93		32	
Total non-operating income.....	916	0.3	751	0.2
Non-operating expenses				
Foreign exchange losses.....	893		—	
Addition to allowance for bad debt	5		44	
Loss on sale of securities	15		—	
Loss of investments in partnership	12		49	
Others.....	28		0	
Total non-operating expenses	955	0.3	94	0.0
Ordinary income	4,130	1.3	5,366	1.7
Extraordinary gains				
Gain on sale of investment securities	33		47	
Refunded foreign tax	12		179	
Total extraordinary gains	45	0.0	227	0.0
Extraordinary losses				
Loss on sale of fixed assets	52		51	
Appraisal loss on investment securities.....	2,933		—	
Loss on valuation of shares of affiliates.....	1,499		—	
Provision of reserve for loss on liquidation of affiliates	600		—	
Valuation losses on investments	—		10	
Accident-related costs	6		12	
System-use contract cancellation.....	—		4	
Others.....	576		—	
Total extraordinary losses	5,669	1.8	78	0.0
Net income before income taxes	(1,493)	(0.5)	5,515	1.7
Income taxes - current.....	754		2,282	
Income taxes - deferred.....	(1,316)		53	
Subtotal	(562)	(0.2)	2,335	0.7
Net income	(930)	(0.3)	3,179	1.0

3. Non-consolidated Statements of Changes to Shareholders' Equity

Current fiscal year ended October 31, 2008

(millions of yen)

	Shareholders' Equity									
	Common stock	Capital surplus			Retained earnings				H	Total Shareholders' equity
					D	Contingent reserve		G		
		A	B	C		E	F			
Balance as of October 31, 2007	6,882	7,778	3	7,782	246	25,565	5,555	31,366	(1,563)	44,467
Fluctuations in the period										
Dividends				—			(661)	(661)		(661)
Funded reserve				—		2,000	(2,000)	—		—
Net loss				—			(930)	(930)		(930)
Acquisition of treasury stock				—				—	(955)	(955)
Sale of treasury stock				0				—	0	0
Fluctuations other than shareholders' equity in the period (net)				—				—		—
Total fluctuation in the period	—	—	0	0	—	2,000	(3,592)	(1,592)	(955)	(2,547)
Balance as of October 31, 2008	6,882	7,778	3	7,782	246	27,565	1,962	29,773	(2,519)	41,919

A: Capital reserve

D: Earned reserve

G: Total retained earnings

B: Other capital surplus

E: Other reserve

H: Treasury stock

C: Total capital surplus

F: Retained earnings brought forward

	Appraisal and Translation Differences			Total net assets
	Unrealized holding gains / losses on securities	Deferred gain/ loss on hedges	Total appraisal and translation differences	
Balance as of October 31, 2007	(407)	(1,183)	(1,590)	42,877
Fluctuations in the period				
Dividends			—	(661)
Funded reserve			—	—
Net loss			—	(930)
Acquisition of treasury stock			—	(955)
Sale of treasury stock			—	0
Fluctuations other than shareholders' equity in the period (net)	226	(3,399)	(3,173)	(3,173)
Total fluctuation in the period	226	(3,399)	(3,173)	(5,720)
Balance as of October 31, 2008	(180)	(4,582)	(4,763)	37,156

VI. Changes of directors

1. Change of representatives

Not applicable

2. Change of other directors

(1) Candidates for new board member positions:

Board member, Hikaru Wada (Current Officer, General Manager of “Customer Satisfaction-Employee Satisfaction Division” and “Administration and Human Resources Division”)

(2) Board member to retire

Board member, Yoshio Suzuki

3. Date scheduled for assumption of office

January 29, 2009