



Non-consolidated Financial Results

For the Fiscal Year Ended October 31, 2006

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 Non-consolidated Financial Results For the Fiscal Year Ended October 31, 2006

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

Exchange Listed:	Tokyo Stock Exchange, 1 st section
Principal Office:	Tokyo, Japan
Homepage:	http://www.his-j.com
Representative Director, President:	Yoshio Suzuki
Contact:	Kazumasa Namekata Representative Director, Managing Director
Telephone:	+81-3-5908-2070
Date of Board Meeting:	December 20, 2006
Date of general shareholders' meeting	January 26, 2007
Date of dividend payment:	January 29, 2007
Stock Trading Unit:	1 unit: 100 shares

1. Non-consolidated Financial Results (November 1, 2005 – October 31, 2006)

(1) Non-consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2006	%	2005	%
Net Sales	288,880	14.7	251,845	12.4
Operating Income	5,734	14.8	4,996	12.6
Ordinary Income	6,238	8.9	5,726	20.1
Net Income	3,663	83.0	2,002	(29.6)
Net Income per Share (yen)	109.73		59.21	
Net Income per Share, Diluted (yen)	—		—	
Return on Equity (ROE)	8.9%		5.1 %	
Ordinary Income to Total Assets Ratio	7.9%		7.7 %	
Ordinary Income to Net Sales Ratio	2.2%		2.3 %	

Notes:

1) Weighted-average number of shares outstanding during the period (Non-consolidated):

Fiscal Year ended October 31, 2006:	33,386,184 shares
Fiscal Year ended October 31, 2005:	33,393,784 shares

2) Changes made to accounting method: No

3) A 1.5-for-1 stock split took effect on December 20, 2004. Per-share figures are shown as if the split had occurred at the beginning of the fiscal year 2005.

(2) Non-consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2006	2005
Total Assets	84,053	74,335
Net Assets	41,541	40,567
Shareholders' Equity Ratio	49.4%	54.6%
Net Assets per Share (yen)	1,244.33	1,214.23

Notes:

- 1) Number of shares outstanding at the end of the period (non-consolidated):

Fiscal year ended October 31, 2006:	33,384,467 shares
Fiscal year ended October 31, 2005:	33,389,159 shares
- 2) Number of shares in treasury at the end of the period (non-consolidated):

Fiscal year ended October 31, 2006:	877,001 shares
Fiscal year ended October 31, 2005:	872,309 shares

2. Non-consolidated Forecast for the Fiscal Year Ending October 31, 2007

	<i>Millions of Yen</i>			
	Half Year Ending April 30, 2007		FY Ending October 31, 2007	
Net Sales	148,000	18.3	340,000	17.7
Ordinary Income	2,100	9.5	7,200	15.4
Net Income	1,100	1.3	4,000	9.2

(Reference) Projected net income per share for FY2007 (ending October 31, 2007): 119.82 yen

3. Dividend Distribution

	Dividend per share			Total Dividend (Millions of Yen)	Dividend payout ratio (%)	Ratio of dividends to net assets (%)
	Half Year	Year End	Full Year			
FY2005	—	17.50	17.50	584	29.6	1.4
FY2006	—	20.00	20.00	667	18.2	1.6
FY2007 (Forecast)	—	20.00	20.00			

Note: 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. Please consult page 11 of Summary of Consolidated Financial Results for further information concerning the projections.

I. Non-consolidated Financial Statements

1. Balance Sheets

	<i>Millions of yen</i>				
	As of October 31, 2006	%	As of October 31, 2005	%	Change
ASSETS		%		%	
Current assets					
Cash and deposits.....	27,680		23,683		3,997
Notes & accounts receivable	3,018		2,311		706
Accrued sales receivable.....	8,671		6,471		2,200
Marketable securities.....	4,703		3,149		1,553
Travel deposits	6,885		5,291		1,594
Pre-paid expenses.....	567		575		(7)
Deferred tax assets	1,465		1,307		158
Accrued income.....	66		44		21
Short-term loans receivable.....	330		358		(28)
Short-term loans to affiliates.....	704		923		(219)
Accrued revenue	908		1,117		(208)
Other current assets	915		743		171
Allowance for doubtful accounts.....	(68)		—		(68)
Total current assets	55,849	66.4	45,976	61.9	9,872
Fixed assets					
Tangible fixed assets					
Buildings and structures	1,307		1,281		
Accumulated depreciation	(679)		(607)		(45)
Vehicles.....	10		10		
Accumulated depreciation	(7)		(6)		(1)
Equipment and fittings.....	1,501		1,637		
Accumulated depreciation	(1,013)		(991)		(157)
Land	235		254		(19)
Total tangible fixed assets	1,354	1.6	1,578	2.1	(224)
Intangible fixed assets					
Goodwill	11		—		11
Trading rights	—		4		(4)
Trade mark rights.....	17		17		(0)
Telephone subscription rights	79		78		0
Telephone facility access rights	1		2		(0)
Software.....	1,247		1,485		(237)
Other intangible fixed assets	74		1		73
Total intangible fixed assets	1,432	1.7	1,589	2.1	(156)

	<i>Millions of yen</i>				
	As of October 31, 2006	As of October 31, 2005	Change		
Investments and other assets					
Investments in securities	8,121	10,391	(2,270)		
Shares in affiliates	11,221	10,415	805		
Investments in affiliates	328	292	36		
Long-term loans receivable	414	435	(21)		
Long-term loans to affiliates	500	223	277		
Long-term prepaid expenses.....	11	11	0		
Deferred tax assets	945	—	945		
Guarantee deposits	3,405	3,391	14		
Other investments and other assets	510	28	481		
Allowance for doubtful accounts.....	(42)	—	(42)		
Total investments and other assets	25,417	30.3	25,190	33.9	227
Total fixed assets	28,204	33.6	28,358	38.1	(153)
Total Assets	84,053	100.0	74,335	100.0	9,718

	<i>Millions of yen</i>				
	As of October 31, 2006	%	As of October 31, 2005	%	Change
LIABILITIES					
Current liabilities					
Notes & accounts payable	12,996		10,659		2,336
Accrued payable	581		607		(26)
Accrued expenses	1,020		962		58
Accrued income taxes	2,056		410		1,646
Accrued consumption taxes	440		256		183
Pre-trip deposits	20,345		16,486		3,859
Insurance deposits	432		462		(30)
Accrued bonuses	1,743		1,523		219
Accrued bonuses for directors	30		—		30
Gift certificate	447		365		81
Short-term accrued interest for travel funds	0		—		0
Reserve for losses on liquidation of affiliates	—		350		(350)
Other current liabilities	1,045		291		753
Total current liabilities	41,140	49.0	32,377	43.5	8,763
Long-term liabilities					
Deferred tax liabilities	—		149		(149)
Accrued employees' retirement benefits	909		805		104
Accrued directors' and statutory auditors' retirement benefits	406		395		11
Long-term accrued interest for travel funds	0		—		0
Guarantee deposits	40		40		(0)
Other long-term liabilities	15		—		15
Total long-term liabilities	1,372	1.6	1,391	1.9	(18)
Total liabilities	42,512	50.6	33,768	45.4	8,744
SHAREHOLDERS' EQUITY					
Common stock	—		6,882	9.2	(6,882)
Capital surplus	—		7,782	10.5	(7,782)
Capital reserve	—		7,778		(7,778)
Other capital surplus	—				
Excess arising from sale of treasury stock			3		(3)
Retained earnings	—		25,800	34.7	(25,800)
Earned reserve	—		246		(246)
Contingent reserve					
Other reserve	—		21,565		(21,565)
Reserve for special depreciation	—		4		(4)
Unappropriated retained earnings for the period	—		3,984		(3,984)
Unrealized holding gains on securities	—		945	1.3	(945)
Treasury stock	—		(842)	(1.1)	842
Total shareholders' equity	—		40,567	54.6	(40,567)
Total Liabilities, and Shareholders' Equity	—		74,335	100.0	(74,335)

	<i>Millions of yen</i>				
	As of October 31, 2006		As of October 31, 2005		Change
NET ASSETS					
SHAREHOLDERS' EQUITY					
Common stock	6,882	8.2	—	—	6,882
Capital surplus.....	7,782	9.2	—	—	7,782
Capital reserve	7,778		—		7,778
Other capital surplus	3		—		3
Retained earnings	28,854	34.3	—	—	28,854
Earned reserve.....	246		—		246
Contingent reserve					
Other reserve	23,565		—		23,565
Reserve for special depreciation.....	2		—		2
Retained earnings brought forward.....	5,040		—		5,040
Treasury stock.....	(857)	(1.0)	—	—	(857)
Total shareholders' equity	42,661	50.7	—	—	42,661
Appraisal and translation differences					
Unrealized holding losses on securities	(553)	(0.6)	—	—	(553)
Deferred gain/loss on hedges	(566)	(0.7)	—	—	(566)
Total appraisal and translation differences	(1,120)	(1.3)	—	—	(1,120)
Total Net Assets.....	41,541	49.4	—	—	41,541
Total Liabilities and Net Assets.....	84,053	100.0	—	—	84,053

2. Statements of Income

	<i>Millions of yen</i>				Change
	FY ended October 31, 2006		FY ended October 31, 2005		
Net sales.....	288,880	100.0	251,845	100.0	37,035
Overseas travel	272,231		236,034		36,196
Domestic travel.....	13,989		13,574		415
Other	2,659		2,236		423
Cost of sales.....	250,514	86.7	216,602	86.0	33,912
Overseas travel	238,082		204,653		33,428
Domestic travel.....	12,429		11,943		486
Other	2		5		(3)
Gross profit	38,365	13.3	35,242	14.0	3,123
Selling, general and administrative expenses	32,631	11.3	30,245	12.0	2,385
Operating income.....	5,734	2.0	4,996	2.0	737
Non-operating income					
Interest income.....	196		145		51
Dividend income	321		422		(100)
Commission income	25		24		1
Foreign exchange gains	40		103		(62)
Miscellaneous income	21		37		(15)
Total non-operating income	607	0.2	733	0.3	(126)
Non-operating expenses					
Addition to allowance for bad debt	89		—		89
Stock issue costs.....	—		0		(0)
Miscellaneous expenses	13		2		10
Total non-operating expenses.....	103	0.0	3	0.0	99
Ordinary income.....	6,238	2.2	5,726	2.3	511
Extraordinary gains					
Gain on sale of fixed assets	—		1,474		(1,474)
Gain on sale of investment securities	45		11		34
Gain on sale of shares of affiliates	1		—		1
Gain on reversal of reserve for losses on liquidation of affiliates.....	21		—		21
Total extraordinary gains	68	0.0	1,485	0.5	(1,416)
Extraordinary losses					
Loss on sale of fixed assets	16		—		16
Loss on disposal of fixed assets.....	35		51		(16)
Loss on redemption of marketable securities ...	—		442		(442)
Appraisal loss on investment securities.....	3		31		(28)
Loss on cancellation of shares in affiliates	—		3,000		(3,000)
Addition to reserve for losses on liquidation of affiliates.....	—		350		(350)
Total extraordinary losses.....	54	0.0	3,875	1.5	(3,820)
Net income before income taxes	6,252	2.2	3,337	1.3	2,915
Income taxes - current.....	2,814		1,568		1,245
Income taxes - deferred.....	(225)		(234)		8
Subtotal.....	2,589	0.9	1,334	0.5	1,254
Net income	3,663	1.3	2,002	0.8	1,660
Balance brought forward.....	—		1,982		(1,982)
Unappropriated profits.....	—		3,984		(3,984)

3. Statements of Changes to Stockholders' Equity
Current fiscal year (November 1, 2005 – October 31, 2006)

(Millions of Yen)

	Stockholders' Equity										
	Common stock	Capital surplus			Retained earnings					I	Total Stockholders' equity
		A	B	C	D	Contingent reserve			H		
						E	F	G			
Balance as of October 31, 2005	6,882	7,778	3	7,782	246	21,565	4	3,984	25,800	(842)	39,621
Fluctuations in the period											
Dividends				—				(584)	(584)		(584)
Bonuses for directors				—				(25)	(25)		(25)
Funded reserve				—		2,000		(2,000)	—		—
Reserve for special depreciation				—			(1)	1	—		—
Net income				—				3,663	3,663		3,663
Acquisition of treasury stock				—					—	(14)	(14)
Sale of treasury stock			0	0					—	0	0
Fluctuations other than stockholders' equity in the period (net)											
Total fluctuation in the period	—	—	0	0	—	2,000	(1)	1,055	3,054	(14)	3,039
Balance as of October 31, 2006	6,882	7,778	3	7,782	246	23,565	2	5,040	28,854	(857)	42,661

Notes:

- A: Capital reserve
- B: Other capital surplus
- C: Total capital surplus
- D: Earned reserve
- E: Other reserve
- F: Reserve for special depreciation
- G: Retained earnings brought forward
- H: Total retained earnings
- I: Treasury stock

(Millions of Yen)

	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, 2005	945	—	945	40,567
Fluctuations in the period				
Dividends			—	(584)
Bonuses for directors			—	(25)
Funded reserve			—	—
Reserve for special depreciation			—	—
Net income			—	3,663
Acquisition of treasury stock			—	(14)
Sale of treasury stock			—	0
Fluctuations other than stockholders' equity in the period (net)	(1,498)	(566)	(2,065)	(2,065)
Total fluctuation in the period	(1,498)	(566)	(2,065)	974
Balance as of October 31, 2006	(553)	(566)	(1,120)	41,541

4. Statements of Surplus

Previous fiscal year (November 1, 2004 – October 31, 2005)

		<i>Millions of Yen</i>
		Previous Fiscal Year January 27, 2006*
Utilization of Unappropriated profit		
Unappropriated profit at end of period.....		3,984
Utilization of voluntary reserves:		
Utilization of special amortization reserves	1	1
Total.....		3,985
Utilization of retained earnings		
Dividends	584	
Directors' and statutory auditors' bonuses	25	
(Of which auditors' bonuses).....	(1)	
Unappropriated reserve:		
Other reserve	2,000	2,609
Profit carried forward		1,376
Utilization of other capital surplus:		
Other capital surplus		3
Other capital surplus carried forward		3

* The date is approved date at general shareholders meeting.

4. Summary of Significant Accounting Policies

Current fiscal year, ended October 31, 2006	Previous fiscal year, ended October 31, 2005
<p>1. Method and basic principles of valuation of marketable securities</p> <p>(1) Securities</p> <p>Bonds held to maturity: Bonds are valued using the cost amortization method (Straight line method).</p> <p>Investments in subsidiaries and affiliated companies: Investments are valued at cost, which is determined by the moving average method. The entire amount equivalent to the Company's ownership percentage is recognized for investments in investment limited partnerships and other similar partnerships (deemed securities according to Clause 2, Act 2 of the Securities Exchange Law), based on the most recent financial statements available according to the earnings report data as defined in the partnership agreement.</p> <p>Other securities: <i>Securities with market value:</i> Securities with market value are valued at market on the balance sheet date. (Appraisal differences are handled with the direct net assets influx method, and sales costs are calculated with the moving average method.)</p> <p><i>Securities without market value:</i> Securities without market value are valued at cost, which is determined by the moving average method.</p> <p>2. Derivatives Derivatives are stated at market value.</p> <p>3. Method for Depreciating Significant Assets</p> <p>(1) Tangible fixed assets H.I.S. CO., LTD. computes depreciation for buildings (excludes structures attached to buildings) primarily using the straight-line method and the declining balance method for other items.</p> <p>Estimated useful lives of tangible fixed assets are mainly as follows:</p> <p>Buildings and structures: 3-49 years Equipment and fittings: 3-20 years</p>	<p>1. Method and basic principles of valuation of marketable securities</p> <p>(1) Securities</p> <p>Bonds held to maturity: Same as left.</p> <p>Investments in subsidiaries and affiliated companies: Investments are valued at cost, which is determined by the moving average method.</p> <p>Other securities: <i>Securities with market value:</i> Securities with market value are valued at market on the balance sheet date. (Appraisal differences are handled with the direct capital influx method, and sales costs are calculated with the moving average method.)</p> <p><i>Securities without market value:</i> Same as left.</p> <p>2. Derivatives Same as left.</p> <p>3. Method for Depreciating Significant Assets</p> <p>(1) Tangible fixed assets H.I.S. CO., LTD. computes depreciation for buildings (excludes structures attached to buildings) primarily using the straight-line method and the declining balance method for other items.</p> <p>Estimated useful lives of tangible fixed assets are mainly as follows:</p> <p>Buildings and structures: 3-52 years Equipment and fittings: 3-20 years</p>

Current fiscal year, ended October 31, 2006	Previous fiscal year, ended October 31, 2005
<p>(2) Intangible fixed assets H.I.S. CO., LTD computes amortization primarily using the straight-line method.</p> <p>Amortization of software for in-house use is computed by the straight-line method, assuming a useful life of 5 years.</p> <p>Goodwill is amortized on a straight-line basis over 5 years.</p> <p>(3) Long-term prepaid expenses Amortization is computed by the straight-line method.</p> <p>4. Method for Accounting for Deferred Assets _____</p> <p>5. Translation of Foreign Currency Denominated Assets and Liabilities into Japanese yen</p> <p>Foreign currency denominated assets and liabilities are translated into yen amounts at the rates of exchange in effect at the balance sheet date, and translation gains and losses are accounted for as a profit or loss.</p> <p>6. Reserves</p> <p>(1) Allowance for doubtful accounts In order to provide for losses in respect of bad and doubtful accounts, the allowance for doubtful accounts is provided for primarily at rates based on past collection experience. In addition, the amount deemed necessary to cover individual uncollectible receivables, based on management's estimate of the collectability of each, is provided for.</p> <p>(2) Accrued bonuses Accrued bonuses for employees are based on estimated amounts to be paid.</p> <p>(3) Accrued bonuses for directors Accrued bonuses for directors are based on estimated amounts to be paid.</p> <p>(4) Accrued employees' retirement benefits Accrued employee retirement benefits are provided for on the basis of retirement benefit obligations as of the end of the fiscal year.</p> <p>Actuarial differences are generally charged as a one-time expense in the following fiscal period.</p>	<p>(2) Intangible fixed assets H.I.S. CO., LTD computes amortization primarily using the straight-line method.</p> <p>Amortization of software for in-house use is computed by the straight-line method, assuming a useful life of 5 years.</p> <p>Trading rights are amortized over a period of 5 years in accordance with Commercial Law.</p> <p>(3) Long-term prepaid expenses Same as left.</p> <p>4. Method for Accounting for Deferred Assets Stock issue costs are charged to expense as incurred.</p> <p>5. Translation of Foreign Currency Denominated Assets and Liabilities into Japanese yen</p> <p>Same as left</p> <p>6. Reserves</p> <p>(1) Allowance for doubtful accounts Same as left.</p> <p>(2) Accrued bonuses Same as left</p> <p>(3) _____</p> <p>(4) Accrued employees' retirement benefits Accrued employee retirement benefits are provided for on the basis of retirement benefit obligations as of the end of the fiscal year.</p> <p>Past service liabilities are mainly calculated by the straight-line method based on a period (5 years) that is less than the average remaining years of service of employees. Additionally, the difference in the actuarial calculation is mainly charged as a one-time expense in the following fiscal period.</p>

Current fiscal year, ended October 31, 2006	Previous fiscal year, ended October 31, 2005
<p>(5) Accrued directors' and statutory auditors' retirement benefits The required directors' and statutory auditors' retirement benefit reserve payments as of the end of the fiscal period are provided for based on the Company's internal rules for allowance for directors' and statutory auditors' retirement benefits.</p> <p>(6) Accrued interest for travel funds The difference between the prepaid amount and the face amount of the gift certificate that the Company plans to distribute is posted in order to prepare for future expenses that will be incurred on contracts for the sale of tickets concluded between the customer and the Company through the prepayment method.</p> <p>(7) _____</p> <p>7. Standards for recognizing revenue and costs Travel sales and travel cost of sales are recognized based on the date of departure.</p> <p>8. Accounting treatment of leases Finance leases, other than those that transfer ownership of the leased assets to the lessee, are treated in the same way as ordinary operating leases for accounting purposes.</p> <p>9. Hedge accounting methods (1) Hedge accounting In principal, deferred hedge accounting is used. Forward foreign exchange contracts are allocated specific hedged risks when they meet the criteria for qualification.</p> <p>(2) Hedging methods and risks hedged Hedging methods: forward foreign exchange contracts. Risks hedged: foreign currency denominated accrued operational expenses.</p> <p>(3) Hedging policy Based on our internal 'Market Risk Management Regulations', foreign exchange rate fluctuation risk is hedged.</p> <p>(4) Assessing the effectiveness of a hedge The effectiveness of the hedge is measured on a bi-annual basis through a comparative analysis of the fluctuations in the cumulative cash flows from hedging instruments and the risks hedged.</p> <p>10. Other significant accounting policies Accounting for consumption tax: The consumption tax exclusion method is applied.</p>	<p>(5) Accrued directors' and statutory auditors' retirement benefits Same as left.</p> <p>(6) _____</p> <p>(7) Reserve for losses on liquidation of affiliates Losses related to the liquidation of affiliates are forecast and provided for taking into account items such as the financial position of the affiliate company.</p> <p>7. Standards for recognizing revenue and costs Same as left.</p> <p>8. Accounting treatment of leases Same as left.</p> <p>9. Hedge accounting methods (1) Hedge accounting Same as left.</p> <p>(2) Hedging methods and risks hedged Hedging methods: same as left. Risks hedged: same as left.</p> <p>(3) Hedging policy Same as left.</p> <p>(4) Assessing the effectiveness of a hedge Same as left.</p> <p>10. Other significant accounting policies Accounting for consumption tax: Same as left.</p>

Changes in Basis of Presentation of Financial Statements

Current fiscal year, ended October 31, 2006	Previous fiscal year, ended October 31, 2005
<p>1. Accounting standards for reserves for directors' and statutory auditors' bonuses Effective from this fiscal year, the Company has adopted the Corporate Accounting Standard No. 4, "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan, November 29, 2005). As a result, SG&A expenses increased 30 million yen and operating income, ordinary income and net income before income taxes each decreased 30 million yen.</p> <p>2. Accounting standard for impairment of fixed assets Effective from this fiscal year, the Company has adopted the "Accounting Standard for Impairment of Fixed Assets" (Statement of Opinion, "Accounting for Impairment of Fixed Assets," the Business Accounting Council, August 9, 2002) and ASB Guidance No. 6, "Guidance for Accounting Standards for Impairment of Fixed Assets" (the Accounting Standards Board of Japan, October 31, 2003). This has had no impact on losses/gains.</p> <p>3. Accounting Standard for Presentation of Net Assets in the Balance Sheet Effective from the current fiscal period, the Company has adopted the Corporate Accounting Standard No. 5, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, December 9, 2005) and Corporate Accounting Standard Implementation Guidance No. 8, "Implementation Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, December 9, 2005).</p> <p>Under the previous accounting method, shareholders' equity would have totaled 42,107 million yen.</p> <p>The section on net assets in the balance sheet for the current fiscal year was prepared in accordance with the revised regulations governing financial statements.</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p>

Additional Information

<p>Current fiscal year, ended October 31, 2006</p>	<p>Previous fiscal year, ended October 31, 2005</p>
<hr/>	<p>1. Following the promulgation from March 31, 2003 of the Partial Revisions to the Law Concerning Regional Tax (2003 Article 9) for fiscal years commencing on or after April 1, 2004, and along with the introduction of the tax system based on business size 'Treatment of the tax based on business size portion of corporate taxes in the Statements of Income' (February 13, 2004, Corporate Accounting Standards Committee Practice Report 12), from the current fiscal year the proportionate amounts of corporation tax on value added and capital have been included in Selling, General and Administrative expenses.</p> <p>As a result Selling, General and Administrative expenses increased by ¥120 million and operating income, ordinary income and income before taxes, etc. each decreased by ¥120 million.</p>

Notes

Balance Sheets

As of October 31, 2006					As of October 31, 2005				
1. Pledged assets (¥ Million)					1. Pledged assets (¥ Million)				
Pledged assets			Secured liabilities		Pledged assets			Secured liabilities	
Type	Book value	Type of pledge	Comments	End of term balance	Type	Book value	Type of pledge	Comments	End of term balance
Cash and deposits	433	Pledge	Bank guarantee	433	Cash and deposits	818	Pledge	Bank guarantee	818
2. _____					2. Number of shares outstanding and authorized shares Authorized shares: 88,551,450 common shares Shares outstanding: 34,261,468 common shares Nevertheless, the Articles of incorporation states that when treasury stocks are eliminated, the number of shares is reduced by a corresponding number.				
3.Assets and liabilities of affiliated companies Notes and accounts receivable: 483 million yen Notes and accounts payable: 2,804 million yen					3.Assets and liabilities of affiliated companies Notes and accounts receivable: 507 million yen Notes and accounts payable: 2,596 million yen				
4. Number of treasury stock at end of period Common stock: 877,001 shares					4. Number of treasury stock at end of period Common stock: 872,309 shares				
5. Contingent liabilities (1) The limits of debt guarantee regarding bank guarantees are as follows:					5. Contingent liabilities (1) The limits of debt guarantee regarding bank guarantees are as follows:				
H.I.S. INTERNATIONAL TOURS FRANCE	1,690 thousand euros (¥ 252 million yen)				H.I.S. INTERNATIONAL TOURS FRANCE	1,690 thousand euros (¥ 236 million)			
H.I.S. Deutschland Touristik GmbH.	354 thousand euros (¥ 52 million yen)				H.I.S. Deutschland Touristik GmbH.	354 thousand euros (¥ 49 million)			
H.I.S. EUPOPE ITALY S.R.L.	20 thousand euros (¥ 3 million yen)				H.I.S. EUPOPE ITALY S.R.L.	20 thousand euros (¥ 2 million)			
H.I.S. EUPORE LIMITED	3,500 thousand pounds (¥ 782 million)				H.I.S. EUPORE LIMITED	3,500 thousand pounds (¥ 719 million)			
H.I.S. (HONG KONG) COMPANY LIMITED	HK\$1,600 thousand (¥ 24 million)				H.I.S. (HONG KONG) COMPANY LIMITED	HK\$1,600 thousand (¥ 23 million)			
H.I.S. TOURS CO., LTD.	US\$ 500 thousand (¥ 58 million)				ATB Co., Ltd.	¥ 618 million			
ATB Co., Ltd.	¥ 433 million								

<p>(2) Guarantee liabilities Guarantee liabilities regarding operations for the Company listed below are as follows:</p> <p>ATB Co., Ltd.: No fixed amount (Guarantee on accounts payable)</p> <p>Skymark Airlines Inc.: US \$1,478 thousand (¥174 million)</p> <p>KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. :No fixed amount (Guarantee on payment of rents in service area)</p> <p>6. _____</p> <p>7. _____</p>	<p>(2) Guarantee liabilities Guarantee liabilities regarding operations for the Company listed below are as follows:</p> <p>ATB Co., Ltd.: No fixed amount</p> <p>Skymark Airlines Inc.: US\$1,478 thousand (¥171 million)</p> <p>6. Bank overdraft contracts The Company has credit facility agreements with 1 bank for the efficient procurement of working capital. Based on these agreements the remaining balance of credit available at the fiscal year end was:</p> <table> <tr> <td>Limit of credit:</td> <td>¥200 million</td> </tr> <tr> <td>Current amount of loans:</td> <td>—</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Balance of remaining credit</td> <td>¥200 million</td> </tr> </table> <p>7. Dividend limits As a result of applying market values in accordance with the Japanese Commercial Code Section 124, Clause 3, the value of net assets on the balance sheet increased to 945 million yen.</p>	Limit of credit:	¥200 million	Current amount of loans:	—	<hr/>		Balance of remaining credit	¥200 million
Limit of credit:	¥200 million								
Current amount of loans:	—								
<hr/>									
Balance of remaining credit	¥200 million								

Statement of Income

Current fiscal year, ended October 31, 2006	Previous fiscal year, ended October 31, 2005
<p>1. Selling, general and administrative expenses Selling expenses accounted for 92.9% of expenses and general and administrative expenses accounted for 7.1% of expenses.</p> <p style="text-align: right;">(¥ million)</p> <p>Advertising expense: 5,180 Director remuneration: 118 Salary and bonus for employees: 13,945 Legal welfare expenses: 1,934 Addition to bonus expenses: 1,743 Addition to bonus expenses for directors: 30 Retirement benefit expense: 138 Addition to Retirement benefit expense for directors: 21 Addition to allowance for bad debt: 20 Addition to accrued interest for travel fund: 1 Depreciation and amortization: 900 Rent: 2,642</p> <p>2. Notes relating to affiliates Items related to affiliates are displayed below:</p> <p style="text-align: right;">(¥ million)</p> <p>Interest income 15 Dividend income 312 Commission income 24</p> <p>3. _____</p> <p>4. Breakdown of loss on sale of fixed assets Buildings: ¥ 5 million Land: ¥ 10 million</p> <p>5. Breakdown of loss on disposal of fixed assets Buildings: ¥ 15 million Equipment and fittings: ¥ 17 million Other: ¥ 1 million</p>	<p>1. Selling, general and administrative expenses Selling expenses accounted for 92.2% of expenses and general and administrative expenses accounted for 7.8% of expenses.</p> <p style="text-align: right;">(¥ million)</p> <p>Advertising expense: 4,455 Director remuneration: 123 Salary and bonus for employees: 13,062 Legal welfare expenses: 1,811 Addition to bonus expenses: 1,523 Retirement benefit expense: 128 Addition to Retirement benefit expense for directors: 54 Depreciation and amortization: 862 Rent: 2,669</p> <p>2. Notes relating to affiliates Items related to affiliates are displayed below:</p> <p style="text-align: right;">(¥ million)</p> <p>Interest income 23 Dividend income 394 Commission income 23</p> <p>3. Breakdown of gain on sale of fixed assets Buildings and land: ¥ 1,474 million</p> <p>4. _____</p> <p>5. Breakdown of loss on disposal of fixed assets Buildings: ¥ 34 million Equipment and fittings: ¥ 16 million Other: ¥ 0 million</p>

Changes in Shareholders' Equity

Current Fiscal Year ended October 31, 2006

1. Total number and class of shares issued and treasury stock

Class of shares	As of the end of the previous fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	As of the end of the current fiscal year
Treasury stock				
Common shares (Notes 1, 2)	872,309	4,752	60	877,001
Total	872,309	4,752	60	877,001

Notes

- Increase in number of shares in common share of treasury stock, 4,752 shares is due to the purchase of odd stock.
- Decrease in number of shares in common share of treasury stock, 60 shares is due to the sale of odd stock.

Lease Transactions

Current fiscal year ended October 31, 2006				Previous fiscal year ended October 31, 2005			
1. Finance lease transactions other than those in which the title to the leased asset is deemed to transfer to the lessee				1. Finance lease transactions other than those in which the title to the leased asset is deemed to transfer to the lessee			
(1) Amounts equivalent to acquisition cost, accumulated depreciation and net book value at end of the period				(1) Amounts equivalent to acquisition cost, accumulated depreciation and net book value at end of the period			
	Acquisition cost	Accumulated depreciation	(¥ million) Net leased property		Acquisition cost	Accumulated depreciation	(¥ million) Net leased property
Equipment and fittings	37	17	20	Equipment and fittings	41	20	21
Total	37	17	20	Total	41	20	21
<p>Note: As at the period end the balance of unexpired lease payments is not a significant proportion of total fixed assets, the acquisition cost equivalent is reported as the total amount of lease payments including interest.</p>				Same as left.			
(2) Amount Equivalent to Balance of Outstanding Lease Fees at End of the Period				(2) Amount Equivalent to Balance of Outstanding Lease Fees at End of the Period			
Within one year		7 million yen		Within one year		8 million yen	
Over one year		13 million yen		Over one year		12 million yen	
Total		20 million yen		Total		21 million yen	
<p>Note: As at the period end the balance of unexpired lease payments is not a significant proportion of total fixed assets, the acquisition cost equivalent is reported as the total amount of lease payments including interest.</p>				Same as left.			
(3) Lease payments and amount equivalent to depreciation				(3) Lease payments and amount equivalent to depreciation			
Lease payments		4 million yen		Lease payments		7 million yen	
Amount equivalent to depreciation		4 million yen		Amount equivalent to depreciation		7 million yen	
(4) Method of calculating depreciation expense equivalents				(4) Method of calculating depreciation expense equivalents			
Straight-line method: useful life assumed to be lease period; residual value zero.				Same as left.			
(Impairment loss) No impairment loss allocated over lease assets.							

Securities

No securities of subsidiaries or affiliates had market value in the current Fiscal Year.
No securities of subsidiaries or affiliates had market value in the previous fiscal year

Tax Effective Accounting

(¥ million)

Current Fiscal Year (Ended October 31, 2006)			Previous Fiscal Year (Ended October 31, 2005)	
Significant components of deferred tax assets and deferred tax liabilities by principal cause of accrual			Significant components of deferred tax assets and deferred tax liabilities by principal cause of accrual	
(1) Deferred tax assets: Current			(1) Deferred tax assets: Current	
(Deferred tax assets)			(Deferred tax assets)	
Excess of accrued bonuses	709		Excess of accrued bonuses	620
Accrued bonuses for directors	12		Accrued social insurance premiums	66
Accrued social insurance premiums	77		Accrued business office tax	17
Accrued business office tax	17		Accrued levies for employing disabled persons	2
Accrued levies for employing disabled persons	2		Accrued business tax	47
Accrued business tax	161		Accrued sales receivables	324
Accrued sales receivables	433		Reserve for loss on liquidation of affiliates	142
Excess of allowance for doubtful accounts	27		Appraisal loss on shares in affiliates	65
Other	23		Other	20
Total deferred tax assets	1,465		Total deferred tax assets	1,307
(2) Deferred tax assets: Long-term			(2) Deferred tax assets: Long-term	
(Deferred tax assets)			(Deferred tax liabilities)	
Unrecognized one-time asset depreciation	3		Unrealized holding gain on securities	651
Accrued employees' retirement benefits	370		Reserve for special depreciation	2
Accrued directors' and statutory auditors' retirement benefits	165		Total deferred tax liabilities	653
Unrecognized appraisal loss on investment securities	3		Unrecognized one-time asset depreciation	(5)
Unrealized holding loss on securities	406		Accrued employees' retirement benefits	(321)
Excess of allowance for doubtful accounts	17		Accrued directors' and statutory auditors' retirement benefits	(160)
Other	6		Unrecognized appraisal loss on investment securities	(3)
Total deferred tax assets	973		Unrealized holding loss on securities	(2)
(Deferred tax liabilities)			Other	(9)
Unrealized holding gain on securities	(26)		Total deferred tax assets	(503)
Reserve for special depreciation	(1)		Net deferred tax liabilities	149
Total deferred tax liabilities	(27)			
Net deferred tax assets	945			

Per share information

Current fiscal year, ended October 31, 2006		Previous fiscal year, ended October 31, 2005	
Net assets per share	¥ 1,244.33	Net assets per share	¥ 1,214.23
Net income per share	¥ 109.73	Net income per share	¥ 59.21
Diluted net income per share is not disclosed because no potentially dilutive shares have been issued		Diluted net income per share is not disclosed because no potentially dilutive shares have been issued.	
		<p>On December 20, 2004 the Company carried out a share split of each ordinary share into 1.5 shares. Assuming that the stock split had taken place at the start of the previous financial year per-share information would have been as follows; (Information for the previous fiscal year) Net assets per share ¥ 1,134.93 Net income per share ¥ 84.28 Diluted net income per share is not disclosed because no potentially dilutive shares have been issued.</p>	

Note: The basis for the calculation of net income per share is as follows:

	Current fiscal year, ended October 31, 2006		Previous fiscal year, ended October 31, 2005	
a) Net income for the year	3,663 million yen		2,002 million yen	
b) Amount not attributable to ordinary shareholders	— million yen		25 million yen	
Of which, bonuses paid to directors as part of the appropriation of surplus	(—) million yen		(25) million yen	
c) Net income attributable to ordinary shares	3,663 million yen		1,977 million yen	
d) Average number of outstanding shares during the period	Common stock	33,386 thousand shares	Common stock	33,393 thousand shares

Subsequent Events

No significant items

II. Sales

(1) Sales by type of operation

(¥ million)

	Fiscal year ended October 31, 2006		Fiscal year ended October 31, 2005		Change
	Net sales	%	Net sales	%	
Overseas Travel	272,231	94.2	236,034	93.7	36,196
Domestic Travel	13,989	4.8	13,574	5.4	415
Other	2,659	1.0	2,236	0.9	423
Total	288,880	100.0	251,845	100.0	37,035

Note: The above amounts do not include consumption tax.

(2) Overseas travel: Sales by destination

(¥ million)

	Fiscal year ended October 31, 2006		Fiscal year ended October 31, 2005		Change
	Net sales	%	Net sales	%	
North America	38,914	14.3	37,157	15.7	1,756
Europe	53,603	19.7	48,552	20.6	5,050
Asia	106,151	39.0	87,982	37.3	18,168
Oceania	14,170	5.2	13,772	5.8	397
Hawaii, Guam and Saipan	48,547	17.8	40,981	17.4	7,566
Other	10,844	4.0	7,587	3.2	3,257
Total	272,231	100.0	236,034	100.0	36,196

(3) Overseas travel: Passengers by destination

(Number of passengers)

	Fiscal year ended October 31, 2006		Fiscal year ended October 31, 2005		Change
	Number of passengers	%	Number of passengers	%	
North America	254,486	10.8	247,889	11.5	6,597
Europe	261,548	11.1	245,914	11.4	15,634
Asia	1,292,037	54.7	1,098,842	50.9	193,195
Oceania	92,332	3.9	96,121	4.4	(3,789)
Hawaii, Guam and Saipan	413,975	17.5	420,160	19.4	(6,185)
Other	46,875	2.0	51,639	2.4	(4,764)
Total	2,361,253	100.0	2,160,565	100.0	200,688

III. Changes of directors

The changes of directors were disclosed on November 27, 2006

1. Change of representatives

Not applicable

2. Change of other directors

(1) Candidates for new board member positions:

Board member Akira Hirabayashi (Current Head of Kansai Regional Sales Department)

(2) Candidates for auditor positions:

External auditors (part-time) Katsu Yamamoto (Current full-time auditor of Chuo Fudosan Co., Ltd.)

(3) Auditors planning to leave office

External auditors (part-time) Nobukazu Kaneko

3. Date scheduled for assumption of office

January 26, 2007