



Consolidated Financial Results

For the Fiscal Year Ended October 31, 2007

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, 2007

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
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Date of Dividend Payment:	January 30, 2008
U.S. GAAP Accounting Principles	Not adopted

1. Consolidated Financial Results (November 1, 2006 – October 31, 2007)

(1) Consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2007	%	2006	%
Net Sales	362,084	10.1	328,980	13.2
Operating Income	6,362	(12.1)	7,235	32.2
Ordinary Income	7,510	(7.1)	8,082	24.7
Net Income	4,521	(7.1)	4,867	(23.2)
Net Income per Share (yen).....	135.57		145.79	
Net Income per Share, Diluted (yen).....	—		—	
Return on Equity (ROE)	9.9%		11.5%	
Ordinary Income to Total Assets Ratio	7.8%		9.3%	
Operating Income to Net Sales Ratio.....	1.7%		2.5%	
Notes: Equity of earnings in affiliates:	Full year ended October 31, 2007		339 million yen	
	Full year ended October 31, 2006		105 million yen	

(2) Consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2007	2006
Total Assets	100,992	92,520
Net Assets	48,379	44,149
Shareholders' Equity Ratio	47.5%	47.3%
Net Assets per Share (yen)	1,450.67	1,311.29
Notes: Shareholders' equity (consolidated):	As of October 31, 2007:	
	As of October 31, 2006:	
		47,968 million yen
		43,776 million yen

(3) Consolidated Cash Flows

	<i>Millions of Yen</i>	
	Fiscal Year Ended October 31,	
	2007	2006
Cash Flows from Operating Activities	5,148	9,610
Cash Flows from Investing Activities	(1,793)	(5,370)
Cash Flows from Financing Activities	(1,405)	(732)
Cash and Cash Equivalents at End of Year	38,995	36,515

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			
FY2006	—	20.00	20.00	667	13.7	1.6
FY2007	—	20.00	20.00	661	14.8	1.4
FY2008 (Forecast)	—	24.00	24.00	—	14.7	—

3. Consolidated Forecast for the Fiscal Year Ending October 31, 2008

	<i>Millions of Yen</i>			
	Interim ended April 30, 2008		FY Ending October 31, 2008	
	Sales	Profit	Sales	Profit
Net Sales	187,000	10.9%	410,000	13.2%
Operating income	3,300	12.2%	8,100	27.3%
Ordinary Income	3,800	13.5%	9,100	21.2%
Net Income	2,300	13.3%	5,400	19.4%
Net Income per Share (Yen)	69.56		163.31	

4. Additional Notes

(1) Changes of important subsidiaries during the fiscal period (Changes of specific subsidiary due to change in scope of consolidation): None

(2) Changes in principles, procedures and presentation of accounting treatment in preparing consolidated financial statements:

(i) Changes resulting from revisions to accounting standards, etc.: Yes

(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, 2007 34,261,468 shares

As of October 31, 2006 34,261,468 shares

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

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

As of October 31, 2006 877,001 shares

5. Non-consolidated Financial Results (November 1, 2006 – October 31, 2007)

(1) Non-consolidated Operating Results

	Millions of Yen			
	Fiscal Year Ended October 31,			
	2007	%	2006	%
Net sales	317,546	9.9	288,880	14.7
Operating Income	4,709	(17.9)	5,734	14.8
Ordinary Income	5,366	(14.0)	6,238	8.9
Net Income	3,179	(13.2)	3,663	83.0
Net Income per Share (yen).....	95.32		109.73	
Net Income per Share, Diluted (yen).....	--		--	

(2) Non-consolidated Financial Position

	Millions of Yen	
	As of October 31,	
	2007	2006
Total Assets.....	89,117	84,053
Net Assets.....	42,877	41,541
Shareholders' Equity Ratio	48.1%	49.4%
Net Assets per Share (yen).....	1,296.70	1,244.33

Note: Shareholders' equity: Fiscal year ended October 31, 2007: 42,877 million yen
Fiscal year ended October 31, 2006: 41,541 million yen

(3) Non-consolidated Operating Forecasts for the Fiscal Year Ending October 31, 2008

	Millions of Yen			
	Interim ended April 30, 2008		FY Ending October 31, 2008	
Net Sales	158,400	9.4%	360,000	13.4%
Operating income.....	2,000	5.5%	6,000	27.4%
Ordinary Income.....	2,200	9.3%	6,600	23.0%
Net Income.....	1,200	7.1%	3,700	16.4%
Net Income per Share (Yen)	36.29		111.90	

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

Personal consumption has remained strong in the domestic economy during the current consolidated fiscal year against a background of rising capital investment and an improved employment picture accompanying the improvement in corporate profits. While mild, the underlying tone was one of economic recovery. The rapid rise in the price for crude oil and fluctuation in exchange rates persist as elements of uncertainty in the future outlook however.

Within the travel industry, the general trend in overseas travel had been expected to increase mildly, supported by the rebound in the Japanese economy. However, the increased burden of special fuel surcharges assessed on transport due to the rapid rise in the price of crude oil and the weak yen have affected consumer psychology, making overseas travel appear more expensive and leading to a feeling of marking time despite the rebound in the economy. While departures from Japan by seniors 60 years of age or older are showing strong growth, departures by the younger segment of people in their 20s and 30s is showing a trend of decline and these conditions are having an impact on the stagnant number of departures by Japanese people as well. The number of Japanese departing the country from November 2006 to October 2007 (provisional and estimated figures) recorded a decline of approximately 0.7% YoY according to the Japan National Tourist Organization (a decrease of around 129,000 people) to 17,407,000 people.

H.I.S. actively targets a variety of marketing measures at individuals, the young, and those with extensive overseas travel experience, our key client segments, to secure steady demand for the group's travel business against the somewhat sluggish overall demand for overseas travel. We also redoubled our efforts to attract customers early by announcing products targeted at year-end and New Year travel, student travel, spring vacation and golden week, summer vacation and other leisure travel periods. We also improved our ability to attract customers by enhancing our line of guided tours for the senior segment where the most growth can be expected in the future and also developing new plans for high-grade products matched according to age class.

Details of the key categories follow.

- The H.I.S. Group focused on sales of business class and sales of ancillary products such as hotels, rental cars, optional tours and overseas travel insurance in addition to improving our ability to offer seats, our consulting skills, our price competitiveness for arranged travel, and enhanced route sales commissioned in September 2007 from Haneda to the Hongqiao airport in Shanghai in particular.
- While improving our ability to offer seats and to make arrangements for our key product, Ciao, in the recruitment-style planned travel segment, we also introduced products incorporating high-grade hotels, which led to an increase in the unit price per customer. We also introduced new, enhanced product plans to secure new customers such as "Happy Choice," offering a higher degree of freedom in choice of what the customer desires, and the "Travel Winds" pleasure trip plan for adults, directed at the senior segment and the active age segment. We also debuted "Impresso Premium" for those who prefer a sense of leisure and luxury in our brand name "Impresso" segment of guided tours and began to offer travel plans that were a step above.
- Under the guidance of our newly enhanced Information Systems Department, we introduced a variety of measures in our Internet business segment. We worked to improve our online reservation site, the need for which is rising yearly, while also promoting improvements to our call center for our sales channels. We strove to increase, not only online airline ticket sales, but also online renewals of overseas hotels and guided tours through our web site. We also improved the convenience of our home page by offering a travel community via blog and video and through transmission of travel videos and images.

- New contracts increased, remaining firm due to the finely-tuned proposal-based marketing we engaged in to match the needs of each company and group, improving the visibility of our efforts in the corporate and group travel segment.
- In terms of store development, the Company renovated its flagship stores in both Shinjuku and Nagoya to address the increasing diversification of travel purposes. We also added more specialized sections such as a business section, a world heritage desk, a railway desk and a senior desk, completing a system to offer speedier and more specialized service.
- We used models such as Moe Oshikiri and Yuri Ebihara, the actor Yusuke Santamaria, and the actress Mari Natsuki as promotions in various campaigns to further increase recognition for our brand of plane tickets, package tours, and guided tours.

The above marketing tactics resulted in travel business sales of 359.9 billion yen, an increase of 9.9% YoY and operating income of 8.7 billion yen, a decline of 5.9% YoY.

Reservations through the Internet and through travel agents increased for the hotel business, sustaining a high occupancy rate of hotels in both the Gold Coast and Brisbane. The spa opened on the Gold Coast also hit its stride, recording strong sales and profits. These factors resulted in hotel business sales of 2.2 billion yen, up 33.7% YoY and operating income of 236 million yen, up 17.6% YoY.

The above factors resulted in consolidated sales for the current period of 36.2 billion yen, up 10.1% YoY, operating income of 6.3 billion yen, down 12.1% YoY, ordinary income of 7.5 billion yen, down 7.1% YoY, and net income of 4.5 billion yen, down 7.1% YoY.

(2) Forecasts for next fiscal year

The special fee assessments for fuel oil due to rapid rise in the price of crude oil has had a large impact on overseas travel demand in the travel industry. However, business travel has been robust and we expect a slight increase in overall overseas travelers due to the projected increase in travel demand to China, the focus of attention for the Olympics to be held in Beijing next year; and to Europe, mainly by the senior segment.

We will continue to enhance individual free travel, which is our advantage, amid this environment and will work to improve our ability to make arrangements and in procurement to address the every more discriminating needs of the consumer.

Details of our key segments follow.

- We plan to heighten our ability to offer seats as well as our consulting skills and price appeal in plane ticket sales. We will also strive to put a support structure in place overseas that will offer an environment in which our customers can travel without worry.
- We plan to expand our line of products offering a clear additional value to target segments in our key product, the Ciao package tours, rather than simply putting the image of cheap products to the forefront. We will strive to expand the product line for our "Impresso" brand of guided tours in regions where an increase in travelers can be expected, including China, and will simultaneously raise the tour booking ratio and strive to attract the senior segment, where growth can be anticipated.
- H.I.S. will continue to invest management resources in and expand the Internet business and corporate and group travel, where the most growth can be anticipated for the group.

We will develop and put into place a system that address the customer's diversifying needs for sales channels by promoting the automation of online reservations in the Internet business while also expanding the call center. Another goal is to build a travel information network that can provide instant information and to improve

the convenience of the home page as a whole. We will strive to provide easily maneuverable content to users by improving mobile product information and product search functions and introducing new services.

The Group will promote the opening of stores in regions where business travel can be anticipated for the corporate business and will also showcase our strengths in ability to offer products and price appeal cultivated by arranging plane tickets to appeal to the corporate need for frequent travel.

We will continue to implement a system of more effective management for our domestic subsidiary, ATB Co., Ltd. (an overseas travel company) through a process of selection and concentration and will also improve arrangements for individual free travel to China and unexplored regions.

We will strive to differentiate Orion Tour Co., Ltd. (a domestic travel company) from competitors by improving the quality of products using buses. Further, we will improve Internet sales through the effective use of the new system introduced last year and will promote more efficient management and target improved profitability in the future as well.

Cruise Planet Co., Ltd. will extend product line from casual passenger ships to luxury passenger liners by utilizing the stable supply of passenger rooms made available through contracts for direct reservations with cruise companies, putting into place systems that can respond to the trend of increasing demand for cruises year after year.

We are working to improve convenience for our customers by promoting the upgrade of passenger rooms and facilities in hotels in both the Gold Coast and Brisbane in our hotel business. We will also focus on staff training and strive to make greater improvements in services.

2. Financial Position

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

Total assets as of the end of the consolidated fiscal year increased by ¥8,471 million from the end of the previous consolidated fiscal year to ¥100,992 million. This resulted mainly from an increase in cash and bank deposits, which rose by ¥4,101 million over the end of the previous fiscal year, and an increase in accrued sales receivables, which increased by ¥1,867 million over the end of the previous fiscal year.

Liabilities at the end of the consolidated fiscal year rose ¥4,241 million compared with the end of the previous consolidated fiscal year to ¥52,612 million. This resulted mainly from an increase of ¥1,502 million in trade accounts payable, and an increase of ¥1,926 million in pre-trip deposits from the end of the previous fiscal year.

Net assets as of the end of the consolidated fiscal year increased by ¥4,229 million over the end of the previous consolidated fiscal year to ¥48,379 million. This resulted mainly from ¥4,521 million in annual net income booked.

(2) Overview of Consolidated Cash Flows in the Fiscal Year Ended October 31, 2007

The balance of cash and cash equivalents as of the end of the consolidated fiscal year rose by ¥2,480 million over the end of the previous consolidated fiscal year to ¥38,995 million. Cash inflow from operating activities was ¥5,148 million, cash outflow from investment activities was ¥1,793 million, and cash outflow from financing activities was ¥1,405 million.

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

Cash flow from operating activities

Cash inflow from operating activities for the consolidated fiscal year was ¥5,148 million. The primary factors behind the increase were the booking of ¥7,507 million in annual net income before taxes and other adjustments and an increase of ¥1,883 million in pre-trip deposits. The main reason for the decrease was tax payment (an outflow of ¥4,087 million).

The cash inflow from operating activities for the previous consolidated fiscal year was ¥9,610 million. The main reasons for this were the booking of ¥8,057 million in net income before taxes and other adjustments, an increase of ¥4,086 million in pre-trip deposits due to an increase in trade volume and the strengthening of efforts to secure early reservations. The main reasons for the decrease were an increase in trade receivables (an outflow of ¥3,377 million) and tax payment (an outflow of ¥1,841 million).

Cash inflow from operating activities for the current consolidated fiscal year therefore decreased by ¥4,461 million compared with the previous consolidated fiscal year.

Cash flow from investing activities

Cash outflow from investment activities for the current consolidated fiscal year was ¥1,793 million. The main reason for cash inflow was the redemption of ¥3,100 million worth of marketable securities and investment securities. The main reasons for cash outflow were the acquisition of marketable securities and investment securities for investment purposes (an outflow of ¥3,389 million) and the acquisition of tangible and intangible fixed assets (an outflow of ¥1,109 million).

Cash outflow from investment activities for the previous consolidated fiscal year was ¥5,370 million. This was mainly due to the fact that cash outflows such as the acquisition of marketable securities and investment securities (an outflow of ¥3,223 million) and the acquisition of land and buildings for Hotel Watermark in Brisbane (an outflow of ¥1,275 million) exceeded the redemption of marketable securities of ¥850 million.

Cash flow from investment activities for the current consolidated fiscal year therefore improved by ¥3,576 million compared with the previous consolidated fiscal year.

Cash flow from financing activities

Cash outflow from financing activities for the current consolidated fiscal year was ¥1,405 million, primarily due to acquisition of treasury stock (an outflow of ¥705 million) and payment of dividends (an outflow of ¥667 million).

Cash outflow from financing activities for the previous consolidated fiscal year was ¥732 million. This resulted primarily from the payment of dividends (an outflow of ¥584 million) and repayment of debts at subsidiaries (an outflow of ¥108 million).

Cash outflow from financing activities for the current consolidated fiscal year therefore rose by ¥672 million compared with the previous consolidated fiscal year.

Cash flow indices

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

	FY 10/2007	FY 10/2006	FY 10/2005	FY 10/2004	FY 10/2003
Equity ratio (%)	47.5	47.3	50.9	43.3	51.1
Equity ratio based on market price (%)	71.5	101.0	102.1	92.1	86.9
Debt service coverage (%)	3.4	2.0	—	2.7	14.0
Interest coverage ratio (times)	577.7	978.9	—	1,235.6	174.6

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 Group's key management issues. H.I.S. 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

The intent of the Company's dividend policy is to enable the continuous, stable payment of dividends to shareholders. Company dividend policy includes a provision for the payment of an interim dividend. However, as there is a trend for the proportion of sales, etc. recorded in the second half of the year to be relatively higher, in order to reflect results in dividends fairly the Company is planning at present to make a dividend payment in respect of the whole year.

(3.) Utilization of internal capital reserves

In addition to preparing for competition and restructuring within the industry, upgrading customer service by expanding our branch network in Japan and overseas, and aggressively investing in our IT business, it is increasingly urgent that we respond to unforeseen events such as the recent acts of terrorism and SARS (Severe Acute Respiratory Syndrome) as well as any emergencies that our customers might encounter. In light of these conditions, we are very aware of the need to establish an adaptable and stable financial base, and we thus aim to maintain a relatively high level of retained profits in order to ensure the stability of our business operations.

Based on the general policy on the allocation of profits noted above, we intend to declare a regular dividend of 20 yen per share for the end of this fiscal year (yearly dividend). We also expect to declare a dividend of 24 yen per share for next fiscal year.

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 for the full year financial statements (Dec 21, 2007). Business and other risks are not limited to these risks.

(1) Specific Management Policies Adopted by the Company

The travel business comprises 99.4% of group sales by segment; sales by region are also concentrated in Japan, at 93.4%. 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 87.7% of group sales, and overseas travel comprised 94.2% of parent sales.

The company is currently adding a fuel surcharge to overseas travel fares to reflect the rise 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 56.9% (comprising 40.5% of sales). This percentage is nearly the same as the number of travelers by destination for Japanese people overall. Operating results could be affected by changes in the external environment for the destinations in question (terrorism, infectious diseases, natural disasters, etc.).

(4) Competition with Other Competitors

The travel business for the Group is subject to stiff competition from various other competitors, and the Group's financial status, operating results, and other factors could be affected if stiffer competition on prices were to occur.

(5) 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 stock and bond 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.

(6) 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. While the Group hedges risk through forward exchange contracts and other instruments to mitigate the impact of exchange rate fluctuations, the Group's financial status, operating results, and other factors could be affected should a rapid fluctuation in exchange rates occur.

The Group also translates the financial statements of overseas consolidated 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.

(7) 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

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., 51 subsidiaries and 10 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 regions outlined in the following table. Consolidated subsidiaries carry out travel-related business in the various business segments.

Subsidiaries (42)

Japan	Asia / Oceania
No. 1 Travel Shibuya Co., Ltd. ¹ H.I.S. Okinawa Co., Ltd. ¹ Orion Tour Co., Ltd. ¹ ATB Co., Ltd. ¹ Cruise Planet Co., Ltd. ¹ H.I.S Experience Japan CO., LTD.	HIS (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 Pty Ltd 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 (UAE) LLC

The 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 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

Affiliated Companies (5)

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

Subsidiary H.I.S. MALDIVES TRAVEL PTE. LTD. acquired shares in Japan H.I.S. Tours Pty. Ltd. during the current fiscal year, making it a subsidiary of H.I.S., while subsidiary H.I.S. INTERNATIONAL MANAGEMENT PTE.LTD. established H.I.S.Travel (UAE) LLC., making it a subsidiary as well. Both companies were excluded from the scope of consolidated and equity method application and are not included in business segment information.

H.I.S. Experience Japan CO., LTD., which was established as a subsidiary during the current fiscal year, was 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.

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 hotels on consignment.

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	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.

Subsidiary H.I.S. Investments Pty Ltd. acquired shares of L'Mark Pty. Ltd. in the fiscal year, making it a subsidiary of H.I.S. L'Mark Pty. Ltd. is shown as a consolidated subsidiary in the fiscal year.

(3) Other Businesses

KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. operates long-distance and tour bus businesses. HIS-HS Kyushu Sanko Investment Limited Liability Partnership hold shares in KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.

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.

Persona Co., Ltd. offers welcoming and send-off services for travelers.

H.I.S. PROPERTIES PTY LTD., which previously sold condominiums on the Gold Coast, ceased operations after selling all the properties it owned. Meanwhile, Passeport Co., Ltd., which previously operated a domestic food and beverage business, is currently dormant.

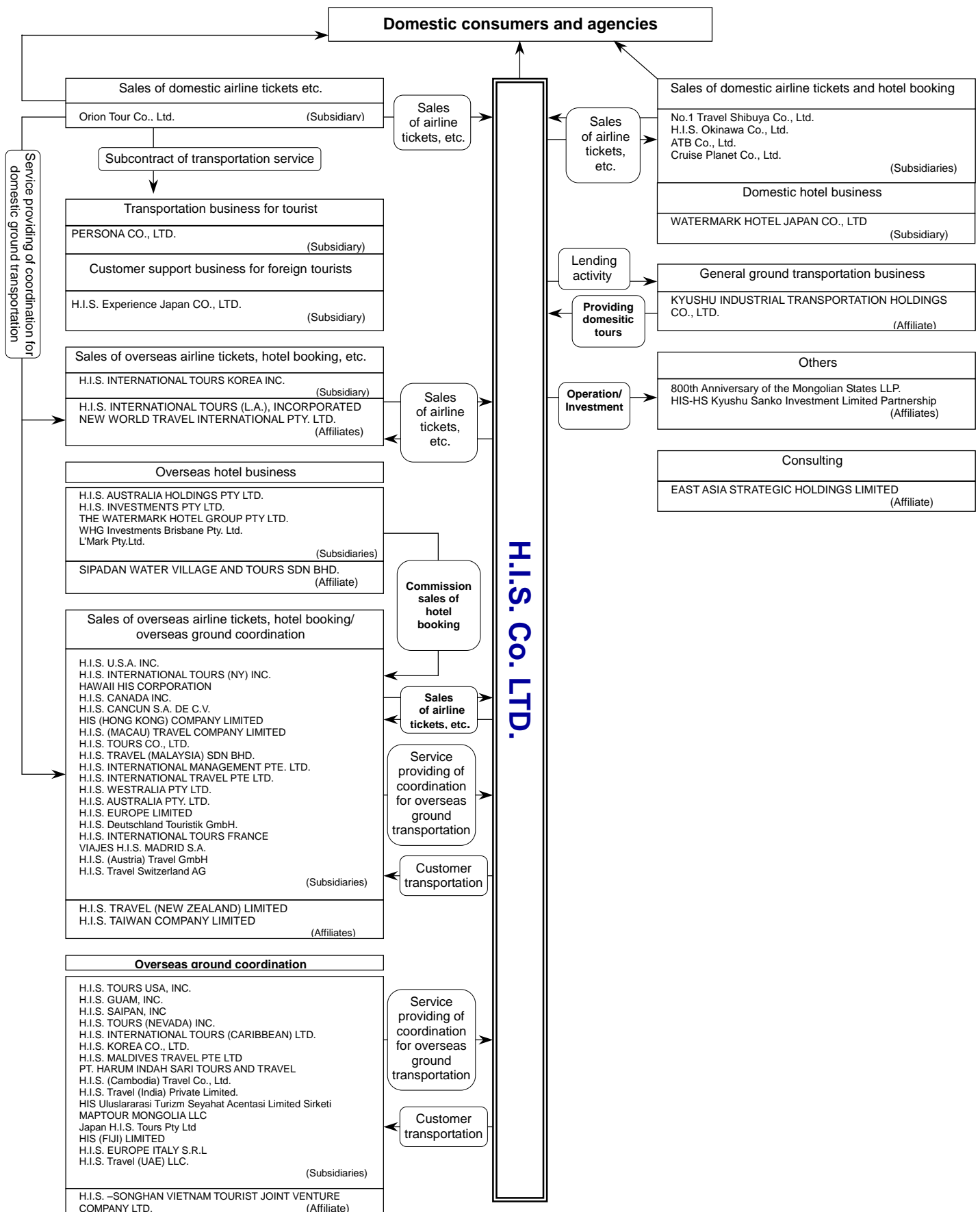
Subsidiaries	Affiliated Companies
H.I.S. PROPERTIES PTY LTD.	KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. ¹
PERSONA CO., LTD.	HIS-HS Kyushu Sanko Investment Limited Partnership ¹
Passeport Co., Ltd.	EAST ASIA STRATEGIC HOLDINGS LTD.
	800th Anniversary of the Mongolian States LLP.

Note: 1. Equity-method affiliate

Affiliate H.S. Insurance Co. Ltd. (formerly known as H.S. Insurance Planning Co, Ltd.) increased capital via a third-party placement in the fiscal year, lowering H.I.S.'s interest in the company and declassifying it as an affiliate.

During the current consolidated period, a total of 17 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

H.I.S. Group's corporate philosophy is to promote human interaction and understanding and contribute to creative development and world peace. Under this philosophy, we seek to offer society valuable travel products and accompanying products and services with passion and goodwill, ensuring their safety and reliability. We endeavor to build up these products even further. In its core travel operations the Company is pursuing global business expansion, based on the development of products and services that meet the diverse needs of its customers and making use of information technology to maximize customer satisfaction.

(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. Efforts are underway to increase efficiencies throughout the Group by actively utilizing our global network for purchasing, planning and sales, reviewing the efficiency of overall operations, standardizing and improving the efficiency of IT systems and strengthening education and training, with the aim of further improving the productivity of each individual employee. This will drive the Group's growth and bolster its earnings power.

(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. With our highly individualized staff, all passionate about travel, we aim to create an energized, worker-friendly environment, and with our detailed booking and planning services that meet our customers' increasingly diverse needs, we aim to offer them the vacation of their dreams. We actively leverage IT such as the Internet to boost our internal productivity and efficiency, and always strive to earn our customers' support and trust as their travel company.

The key points of the Company's three-year business plan, which began in November 2006, are discussed 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 reinforcing independent travel, the Group's core competence, we are striving to capture higher share of the market for priority areas that are expected to experience growth in demand such as travel to China, corporate and group tours, escorted travel packages aimed at seniors and value-added travel packages.

- **Strengthening and expanding Internet business**

With the Internet gaining in importance with every year that passes, we aim to build the travel industry's No. 1 website by creating a user-friendly home page that prioritizes the customer's viewpoint and staying one step ahead of customer needs by augmenting our products and travel information. Travel sites must meet a wide range of needs, from information gathering to online reservations, payment and customer management. We thoroughly adapt to these needs, and are actively taking up the challenge of heightening demand for mobile and video content.

- **Global reach for H.I.S. brand**

We strive to improve our customer service outside of Japan and differentiate ourselves from our competitors by expanding our network of local branches overseas. We are also preparing to become a global travel company handling travel arrangements from overseas departure points for customers living outside of Japan.

• **Corporate Social Responsibility (CSR)**

Growing interest in companies' social responsibilities has sparked debates ranging from business activities that comply with regulations and social norms to activities giving back to the community and environment-friendly policies. The Group runs a travel business with the entire world as its field of operations, and we strive to be a good corporate citizen by ensuring faithful compliance with these social norms and helping to protect local societies and the environment.

(4) Key issues

The number of Japanese embarking overseas in 2007 is expected to decline marginally on the previous year. While this will be affected by both Japan's economic condition and the external environment, we expect robust demand from the baby-boom generation to support a gradual increase in overseas travel. In this environment the key issues that need to be addressed by the Group include:

• **Meeting diverse customer needs**

With the shift in demand from group travel to individual travel, products that provide a higher level of freedom to so-called 'independent travelers' are being well received in the Japanese market. The Company aims to strengthen personal services, build a stronger sales structure, and improve fulfillment of local support services, all offering suitable products addressing customers needs not only by expanding existing product line-up but also by addressing market demand via diverse sales channels, including online reservations.

• **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 Company is advancing automation of online booking, and further developing its website, call center and integrated branch retail system (both clicks and mortar) to address the high demands of customers.

• **Corporate and group travelers and the senior segment**

Using the wealth of booking and product planning expertise that the Company has gained from its travel business for individuals, it is actively implementing sales to corporations and groups, mainly in major metropolitan areas, where potential demand is expected. Additionally, the Company expects to capture a greater share of the growing seniors segment by raising the overall level of awareness of the Group, and by targeting the experienced overseas traveler segment the Company will differentiate itself from competitors with a greater product line-up of guided tour packages.

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

We feel that continuously acquiring and training skilled personnel is a crucial part of growing as a global company, and are improving our recruiting process. With greater diversity in the ages of our customers, we feel that it is urgent that we improve the quality of our staff's knowledge and customer service. Accordingly, we are increasing the number of full-time managers following the establishment of special divisions, and give priority to the upgrading of staff education and training.

• **Business expansion in areas other than overseas travel**

We continue to acquire a greater share of overseas travel from departures in Japan, but we must also begin to extend our efforts to areas that will become the next engines of growth. Currently, we are promoting these new growth areas, focusing on domestic travel, travel to Japan (inbound) and travel originating overseas, and striving to make these areas the Group's core.

(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, 2007	%	As of October 31, 2006	%	Change
ASSETS		%		%	
Current assets					
Cash and deposits	40,856		36,754		
Notes & accounts receivable	4,342		4,280		
Accrued sales receivable	11,864		9,997		
Marketable securities	3,106		4,721		
Deferred tax assets	2,181		1,491		
Travel deposits	8,586		7,692		
Pre-paid expenses	835		733		
Short-term loans receivable	74		342		
Short-term loans to affiliates	6		45		
Other current assets	1,321		1,028		
Allowance for doubtful accounts	(14)		(26)		
Total current assets	73,160	72.4	67,060	72.5	6,099
Fixed assets					
Tangible fixed assets					
Buildings and structures	7,944		6,735		
Accumulated depreciation	(2,343)		(1,941)		
Equipment and fittings	3,353		2,991		
Accumulated depreciation	(2,559)		(2,262)		
Land	1,743		1,552		
Other fixed assets	319		274		
Accumulated depreciation	(208)		(179)		
Total tangible fixed assets	8,248	8.2	7,170	7.7	1,078
Intangible fixed assets	1,332	1.3	1,537	1.7	(204)
Investments and other assets					
Investments in securities	8,677		8,320		
Shares in affiliates	1,973		1,677		
Investments in affiliates	32		43		
Long-term loans receivable	455		504		
Long-term loans to affiliates	1,167		500		
Long-term prepaid expenses	33		36		
Guarantee deposits	4,306		3,993		
Deferred tax assets	968		988		
Other investments and other assets	788		818		
Allowance for doubtful accounts	(153)		(130)		
Total investments and other assets	18,249	18.1	16,752	18.1	1,497
Total fixed assets	27,831	27.6	25,460	27.5	2,371
Total Assets	100,992	100.0	92,520	100.0	8,471

	<i>Millions of yen</i>				
	As of October 31, 2007	%	As of October 31, 2006	%	Change
LIABILITIES		%		%	
Current liabilities					
Notes & accounts payable.....	17,252		15,749		
Long-term debt to be repaid within one year.....	175		14		
Accrued payable.....	884		677		
Accrued expenses.....	1,504		1,397		
Accrued income taxes.....	1,078		2,243		
Accrued consumption taxes.....	485		475		
Pre-trip deposits.....	24,013		22,086		
Accrued bonuses.....	1,788		1,863		
Accrued bonuses for directors.....	32		42		
Short-term accrued interest for travel funds.....	1		0		
Forward exchange contracts.....	1,995		—		
Other current liabilities.....	1,568		2,081		
Total current liabilities.....	50,780	50.3	46,632	50.4	4,147
Long-term liabilities					
Long-term debt.....	—		175		
Deferred tax liabilities.....	7		9		
Accrued employees' retirement benefits.....	1,274		1,053		
Accrued directors' and statutory auditors' retirement benefits.....	390		424		
Long-term accrued interest for travel funds.....	1		0		
Other long-term liabilities.....	157		75		
Total long-term liabilities.....	1,832	1.8	1,738	1.9	94
Total liabilities.....	52,612	52.1	48,370	52.3	4,241
NET ASSETS					
Shareholders' Equity					
Common stock.....	6,882	6.8	6,882	7.4	—
Capital surplus.....	7,782	7.7	7,782	8.4	0
Retained earnings.....	33,391	33.1	29,531	31.9	3,860
Treasury stock.....	(1,563)	(1.6)	(857)	(0.9)	(705)
Total shareholders' equity.....	46,493	46.0	43,338	46.8	3,154
Appraisal and translation differences					
Unrealized holding losses on securities.....	(405)	(0.4)	(555)	(0.6)	149
Deferred gain/loss on hedges.....	(1,183)	(1.2)	(566)	(0.6)	(616)
Translation adjustments.....	3,063	3.1	1,559	1.7	1,504
Total appraisal and translation differences.....	1,475	1.5	437	0.5	1,037
Minority interests	410	0.4	373	0.4	37
Total Net Assets.....	48,379	47.9	44,149	47.7	4,229
Total Liabilities and Net Assets.....	100,992	100.0	92,520	100.0	8,471

2. Consolidated Statements of Income

	<i>Millions of yen</i>				
	FY ended October 31, 2007		FY ended October 31, 2006		Change
Net sales	362,084	100.0	328,980	100.0	33,103
Cost of sales	310,647	85.8	280,239	85.2	30,407
Gross profit	51,436	14.2	48,740	14.8	2,695
Selling, general and administrative expenses	45,074	12.5	41,504	12.6	3,569
Operating income	6,362	1.7	7,235	2.2	(873)
Non-operating income					
Interest income	597		406		
Commission income	0		1		
Foreign exchange gains	174		129		
Income from equity-accounted affiliates	339		105		
Others	162		314		
Total non-operating income	1,274	0.4	957	0.3	316
Non-operating expenses					
Interest expense	8		9		
Addition to allowance for bad debt	53		60		
Loss on investment in partnership	35		—		
Others	28		40		
Total non-operating expenses	126	0.0	110	0.0	15
Ordinary income	7,510	2.1	8,082	2.5	(572)
Extraordinary gains					
Gain on sale of fixed assets	5		14		
Gain on sale of investment securities	51		48		
Gain on sale of shares of affiliates	—		49		
Gain on reversal of reserve for losses on liquidation of affiliates	—		21		
Refunded foreign tax	179		—		
Others	17		6		
Total extraordinary gains	252	0.1	141	0.0	112
Extraordinary losses					
Loss on disposal of fixed assets	58		37		
Loss on sale of fixed assets	2		16		
Loss on sale of investment securities	2		4		
Loss on impairment of fixed assets	—		74		
Settlement package	138		—		
Loss on prior period adjustment	5		25		
Others	49		8		
Total extraordinary losses	257	0.1	166	0.1	90
Net income before income taxes	7,507	2.1	8,057	2.4	(550)
Income taxes - current	2,905		3,358		
Income taxes - deferred	41		(245)		
Subtotal	2,947	0.8	3,112	0.9	(165)
Minority interests	37	0.0	77	0.0	(39)
Net income	4,521	1.3	4,867	1.5	(347)

3. Consolidated Statements of Changes to Shareholders' Equity

Current fiscal year (November 1, 2006 – October 31, 2007)

(millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of October 31, 2006	6,882	7,782	29,531	(857)	43,338
Changes in the period					
Dividends (note)			(667)		(667)
Net income			4,521		4,521
Increase due to increase in number of consolidated subsidiaries			5		5
Acquisition of treasury stock				(705)	(705)
Sale of treasury stock		0		0	0
Fluctuations other than shareholders' equity in the period (net)					—
Total change in the period	—	0	3,860	(705)	3,154
Balance as of October 31, 2007	6,882	7,782	33,391	(1,563)	46,493

	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, 2006	(555)	(566)	1,559	437	373	44,149
Changes in the period						
Dividends (note)				—		(667)
Net income				—		4,521
Increase due to increase in number of consolidated subsidiaries				—		5
Acquisition of treasury stock				—		(705)
Sale of treasury stock				—		0
Fluctuations other than shareholders' equity in the period (net)	149	(616)	1,504	1,037	37	1,075
Total change in the period	149	(616)	1,504	1,037	37	4,229
Balance as of Oct 31, 2007	(405)	(1,183)	3,063	1,475	410	48,379

Note: Dividends were made within approval of the general shareholder's meeting held in January 2007.

Previous fiscal year (November 1, 2005 – October 31, 2006)

(millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of October 31, 2005	6,882	7,782	25,396	(842)	39,218
Changes in the period					
Dividends			(584)		(584)
Bonuses for directors			(34)		(34)
Net income			4,867		4,867
Increase due to increase in number of consolidated subsidiaries			31		31
Decrease due to increase in number of consolidated subsidiaries			(144)		(144)
Acquisition of treasury stock				(14)	(14)
Sale of treasury stock		0		0	0
Fluctuations other than shareholders' equity in the period (net)					—
Total change in the period	—	0	4,135	(14)	4,120
Balance as of October 31, 2006	6,882	7,782	29,531	(857)	43,338

	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, 2005	945	—	1,045	1,990	834	42,043
Changes in the period						
Dividends				—		(584)
Bonuses for directors				—		(34)
Net income				—		4,867
Increase due to increase in number of consolidated subsidiaries			10	10		41
Decrease due to increase in number of consolidated subsidiaries				—		(144)
Acquisition of treasury stock				—		(14)
Sale of treasury stock				—		0
Fluctuations other than shareholders' equity in the period (net)	(1,500)	(566)	503	(1,563)	(460)	(2,024)
Total change in the period	(1,500)	(566)	513	(1,553)	(460)	2,106
Balance as of Oct 31, 2006	(555)	(566)	1,559	437	373	44,149

4. Consolidated Statements of Cash Flows

	<i>Millions of yen</i>		Change
	FY ended October 31, 2007	FY ended October 31, 2006	
I. Cash flows from operating activities			
Net income before income taxes.....	7,507	8,057	
Depreciation and amortization	1,273	1,176	
Amortization of goodwill	5	5	
Increase in allowance for doubtful accounts	55	69	
Increase (decrease) in accrued bonuses	(78)	273	
Increase (decrease) in accrued bonuses for directors	(11)	42	
Increase in accrued employees' retirement benefits.....	219	114	
Increase (decrease) in accrued directors' and statutory auditors' retirement benefits	(34)	13	
Increase in accrued interest for travel funds.....	1	1	
Interest and dividend income	(673)	(452)	
Gain on equity-accounted affiliates	(339)	(105)	
Gain from foreign exchange.....	(18)	(25)	
Interest expense	8	9	
Loss on investment partnership	35	—	
Gain on sale of investment securities.....	(51)	(48)	
Gain on sale of shares of affiliates	—	(49)	
Loss on sale of investment securities.....	2	4	
Appraisal loss on investment securities	—	3	
Gain on sale of tangible fixed assets	(5)	(14)	
Loss on sale of tangible fixed assets	2	16	
Loss on disposal of tangible fixed assets.....	53	35	
Loss on impairment of fixed assets	—	74	
Other losses (gains).....	197	(23)	
Increase in accounts receivable.....	(1,523)	(3,377)	
Increase in pre-paid travel deposits	(855)	(1,730)	
Increase in other assets.....	(518)	(99)	
Increase in notes and accounts payable.....	1,145	2,588	
Increase in accrued consumption taxes.....	(33)	172	
Increase in accrued expenses	59	103	
Increase in pre-travel deposits	1,883	4,086	
Other increase in liabilities	231	718	
Decrease in deferred gain/loss on hedges.....	—	(570)	
Bonus paid to directors	—	(37)	
Sub-total	8,538	11,032	(2,494)
Interest and dividends received	706	428	
Interest paid	(8)	(9)	
Income taxes paid.....	(4,087)	(1,841)	
Net cash provided by (used in) operating activities	5,148	9,610	(4,461)

	<i>Millions of yen</i>		Change
	FY ended October 31, 2007	FY ended October 31, 2006	
II. Cash flows from investing activities			
Increase in term deposits	(3,829)	(4,997)	
Decrease in term deposits	3,658	5,041	
Purchase of marketable securities	(1,080)	(101)	
Proceeds from sale of marketable securities	0	—	
Proceeds from redemption of marketable securities	2,400	850	
Purchase of tangible and intangible fixed assets	(1,109)	(2,102)	
Proceeds from sale of tangible and intangible fixed assets	9	34	
Purchase of investment securities	(2,308)	(3,121)	
Purchase of shares of affiliates	(236)	(1,053)	
Purchase of shares from minority shareholders	—	(305)	
Purchase of newly consolidated subsidiaries	(187)	—	
Proceeds from sale of investment securities	850	362	
Proceeds from redemption of investment securities	700	116	
Proceeds from sale of shares of affiliates and other investments	10	459	
Increase in loans receivable	(2,719)	(530)	
Collection of loans receivable	2,372	91	
Acquisition of business	—	(34)	
Increase in guarantee deposits	(856)	(543)	
Collection of guarantee deposits	571	511	
Increase in other investments	(37)	(45)	
Net cash used in investing activities	(1,793)	(5,370)	3,576
III. Cash flows from financing activities			
Increase in short-term borrowings	24	1	
Repayment of short-term borrowings	(24)	(46)	
Increase in long-term debt	179	—	
Repayment of long-term debt	(193)	(62)	
Cash dividends paid	(667)	(584)	
Distribution of dividends to minority shareholders	(17)	(26)	
Purchase of treasury stock	(705)	(14)	
Proceeds from sales of treasury stock	0	0	
Net cash used in financing activities	(1,405)	(732)	(672)
IV. Effect of exchange rate changes on cash and cash equivalents	530	371	159
V. Increase in cash and cash equivalents	2,480	3,878	(1,397)
VI. Cash and cash equivalents at beginning of period ..	36,515	32,557	3,957
VII. Cash and cash equivalents from newly consolidated subsidiaries at beginning of period...	—	79	(79)
IX. Cash and cash equivalents at end of period	38,995	36,515	2,480

Basis of Presentation of the Consolidated Financial Statements

1. Scope of Consolidation

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
<p>The H.I.S. Group comprises 34 consolidated subsidiaries. The names of consolidated subsidiaries are provided in the table of Group operating relationships on page 11.</p> <p>During the current consolidated fiscal period, L'Mark Pty. Ltd. became a consolidated subsidiary.</p>	<p>The H.I.S. Group comprises 33 consolidated subsidiaries. The names of consolidated subsidiaries are provided in the table of Group operating relationships on page 3.</p> <p>During the current consolidated fiscal period, VIAJES H.I.S. MADRID S.A., HIS (FIJI) LIMITED and WHG Investments Brisbane Pty. Ltd. became consolidated subsidiaries.</p> <p>Also, the consolidated subsidiaries H.I.S.TOURS USA, INC. and H.I.S. TOURS (S.F.), INC. were merged this fiscal period.</p>

2. Application of Equity Method

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
<p>4 companies are accounted for by the equity method. The names of companies to which the equity method is applied are provided in the table of Group operating relationships on page 11.</p>	<p>4 companies are accounted for by the equity method. The names of companies to which the equity method is applied are provided in the table of Group operating relationships on page 3.</p> <p>During the current consolidated fiscal period, KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. has been accounted for by the equity method..</p>

3. Fiscal Year End of Consolidated Subsidiaries

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
<p>Same as right.</p>	<p>Foreign subsidiaries and domestic consolidated subsidiary H.I.S. Okinawa Co., Ltd. have a July 31st year-end. Domestic consolidated subsidiaries Orion Tour Co., Ltd. and ATB Co., Ltd. have a September 30th year-end. For each of these companies' financial statements as of their respective balance sheet dates were used for the preparation of consolidated financial statements. The consolidated financial statements were adjusted for material transactions between the fiscal year-end of subsidiaries and the consolidated balance sheet date.</p>

4. Summary of Significant Accounting Policies

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
<p>1. Valuation Standards and Accounting Treatment for Important Assets</p> <p>(1) Securities</p> <p>Bonds held to maturity: Same as right.</p> <p>Other securities: <i>Securities with market value:</i> Same as right.</p> <p><i>Securities without market value:</i> Same as right.</p> <p>(2) Derivatives Same as right.</p> <p>2. Method for Depreciating Significant Assets</p> <p>(1) Tangible fixed assets Same as right.</p> <p>(2) Intangible fixed assets Same as right.</p> <p>(3) Long-term prepaid expenses Same as right.</p>	<p>1. Valuation Standards and Accounting Treatment for Important Assets</p> <p>(1) Securities</p> <p>Bonds held to maturity: Bonds are valued using the cost amortization method (Straight line 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 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>2. Method for Depreciating Significant Assets</p> <p>(1) Tangible fixed assets H.I.S. CO., LTD. and its domestic consolidated subsidiaries compute depreciation for buildings (excludes structures attached to buildings) primarily using the straight-line method and the declining balance method for other items. Foreign consolidated subsidiaries compute depreciation primarily using the straight-line method.</p> <p>Estimated useful lives of tangible fixed assets are mainly as follows:</p> <p>Buildings and structures: 2-49 years Equipment and fittings: 2-20 years</p> <p>(2) Intangible fixed assets H.I.S. CO., LTD and its domestic consolidated subsidiaries compute amortization primarily using the straight-line method.</p> <p>Foreign subsidiaries compute amortization primarily using the straight-line method based on local accounting standards.</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>(3) Long-term prepaid expenses Amortization is computed by the straight-line method.</p>

<p align="center">Current fiscal year, ended October 31, 2007</p>	<p align="center">Previous fiscal year, ended October 31, 2006</p>
<p>3. Significant Reserves</p> <p>(1) Allowance for doubtful accounts Same as right.</p> <p>(2) Accrued bonuses Same as right.</p> <p>(3) Accrued bonuses for directors Same as right.</p> <p>(4) Accrued employees' retirement benefits Same as right.</p> <p>(5) Accrued directors' and statutory auditors' retirement benefits Same as right.</p> <p>(6) Accrued interest for travel funds Same as right.</p>	<p>3. Significant 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 consolidated fiscal period following that in which they were incurred.</p> <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 style="text-align: center;">Current fiscal year, ended October 31, 2007</p>	<p style="text-align: center;">Previous fiscal year, ended October 31, 2006</p>
<p>4. Translation of material foreign currency denominated assets and liabilities into Japanese yen</p> <p>Same as right.</p> <p>5. Accounting treatment of significant leases</p> <p>Same as right.</p> <p>6. Significant hedge accounting methods</p> <p>(1) Hedge accounting Same as right.</p> <p>(2) Hedging methods and risks hedged Same as right.</p> <p>(3) Hedging policy Same as right.</p> <p>(4) Assessing the effectiveness of a hedge Same as right.</p> <p>7. Other significant accounting policies Same as right.</p>	<p>4. Translation of material 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. Assets and liabilities, and income and expenses of overseas subsidiaries are translated into yen amounts at the rates of exchange in effect at the balance sheet date.</p> <p>The translation differences arising in respect of assets and liabilities are included in minority interests or the translation adjustment account in net assets, and those in respect of income and expenses are treated as gains and losses.</p> <p>5. Accounting treatment of significant leases</p> <p>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>6. Significant hedge accounting methods</p> <p>(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>7. Other significant accounting policies Accounting for consumption tax: The consumption tax exclusion method is applied.</p>

5. Assets and Liabilities of Consolidated Subsidiaries

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
Same as right.	Assets and liabilities of consolidated subsidiaries are valued at market

6. Amortization of Goodwill

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
Same as right.	Goodwill is amortized in principle on a straight-line basis over 5 years.

7. Cash and Cash Equivalents for the Purpose of Consolidated Cash Flow Statements

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
Same as right.	For the purpose of the consolidated cash flow statements, the company considers the following as cash and cash equivalents: cash on hand, demand deposits, and highly liquid short-term investments with original maturities of 3-months or less and without significant risk of change in value.

Changes in Basis of Presentation of Consolidated Financial Statements

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
1. _____	<p>1. Accounting standards for reserves for directors' and statutory auditors' bonuses</p> <p>Effective from this consolidated fiscal year, the Group has adopted the Corporate Accounting Standard No. 4, "Accounting Standard for Directors' and statutory auditors' Bonus" (Accounting Standards Board of Japan, November 29, 2005). As a result, SG&A expenses increased 42 million yen and operating income, ordinary income and net income before income taxes each decreased 42 million yen.</p>
2. _____	<p>2. Accounting standard for impairment of fixed assets</p> <p>Effective from this consolidated fiscal year, the Group 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). As result, net income before income taxes decreased 74 million yen. The accumulated impairment loss is deducted directly from assets in accordance with the revised regulations for consolidated financial statements.</p>
3. _____	<p>3. Accounting standard for presentation of net assets in the balance sheet</p> <p>Effective from the current fiscal period, the Group 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 44,343 million yen.</p> <p>The section on net assets in the consolidated balance sheet for the current consolidated fiscal year was prepared in accordance with the revised regulations governing consolidated financial statements.</p>

4. Accounting Standard for Depreciation of Fixed Assets

Tangible fixed assets acquired on or after 1 April 2007 will be depreciated in accordance with the corporation tax law revised as part of the FY2007 tax system reform. The revision will have a slight affect on operating, recurring, and pretax profits.

(Consolidated balance sheet)

Deferred-hedge foreign exchange contracts that had been included in the line item "Other" under current liabilities up until FY2006 are shown as "Forward exchange contracts" under current liabilities in FY2007 because the value of such contracts exceeded more than 1/100th of the total of liabilities and net assets.

Forward exchange contracts at the end of FY2006 were valued at 566 million yen.

4.

Notes

Consolidated Balance Sheets

As of October 31, 2007					As of October 31, 2006				
1. Pledged assets (yen millions)					1. Pledged assets (yen millions)				
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	344	Pledge	Bank guarantee	178	Cash and deposits	701	Pledge	Bank guarantee	433
Land	86	Morgage	Long-term debt due within one year	175	Land	86	Morgage	Long-term debt due within one year	14
Buildings and structures	17	Morgage	Notes and accounts payable	6	Buildings and structures	18	Morgage	Long-term debt	175
Other investment assets (long-term deposits)	1	Pledge							
2. Guarantee liabilities					2. Guarantee liabilities				
Guarantee liabilities regarding operations for the company listed below are as follows:					Guarantee liabilities regarding operations for the company listed below are as follows:				
- Skymark Airlines Inc.					- Skymark Airlines Inc.				
US \$1,535 thousand (176 million yen)					US \$1,478 thousand (174 million yen)				
- KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.					- KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.				
					No fixed amount (Guarantee on payment of rents in service area)				
3. Bank overdraft contracts					3. Bank overdraft contracts				
Consolidated subsidiaries (H.I.S. KOREA CO., LTD.) have credit facility agreements with 2 banks for the efficient procurement of working capital.					Consolidated subsidiaries (HAWAII HIS CORPORATION and H.I.S. KOREA CO., LTD.) have credit facility agreements with 5 banks for the efficient procurement of working capital.				
Based on these agreements the remaining balance of credit available at the fiscal year end was:					Based on these agreements the remaining balance of credit available at the fiscal year end was:				
Limit of credit: 64 million					Limit of credit: 117 million				
Current amount of loans: —					Current amount of loans: —				
<hr/>					<hr/>				
Balance of remaining credit 64 million					Balance of remaining credit 117 million				

Consolidated Statement of Income

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
<p>1. Selling, general and administrative expenses Main items and amounts for Selling, general and administrative expenses:</p> <p style="text-align: right;">(yen millions)</p> <p>Advertising expenses 7,005 Salary for employees 17,250 Legal welfare expenses 2,512 Addition to bonus expenses 1,840 Addition to bonus expenses for directors 32 Retirement benefit expense 304 Addition to retirement benefit expense for directors 33 Addition to allowance for bad debt 1 Addition to accrued interest for travel funds 5 Depreciation and amortization 1,273 Rent 3,398</p> <p>2. Breakdown of extraordinary gains and losses:</p> <p>1) Extraordinary gains</p> <p>(1) Gain on sale of fixed assets</p> <p>Vehicles 5</p> <p>(2) Other extraordinary gains</p> <p>Gain on prior period adjustments 2 Gain on reversal of indemnity allowance 13 0</p> <p>Other</p> <p>2) Extraordinary losses</p> <p>(1) Loss on disposal of fixed assets</p> <p>Buildings and structures 41 Equipment and fittings 11 Software 5</p> <p>(2) Loss on sale of fixed assets</p> <p>Vehicles 2</p> <p>(3) Other extraordinary losses</p> <p>Accident-related costs 12 Valuation losses on investments 10 System-use contract cancellation 4 Other 22</p>	<p>1. Selling, general and administrative expenses Main items and amounts for Selling, general and administrative expenses</p> <p style="text-align: right;">(yen millions)</p> <p>Advertising expenses 6,230 Salary for employees 16,093 Legal welfare expenses 2,385 Addition to bonus expenses 1,899 Addition to bonus expenses for directors 42 Retirement benefit expense 167 Addition to retirement benefit expense for directors 23 Addition to allowance for bad debt 9 Addition to accrued interest for travel funds 1 Depreciation and amortization 1,176 Rent 3,310</p> <p>2. Breakdown of extraordinary gains and losses:</p> <p>1) Extraordinary gains</p> <p>(1) Gain on sale of fixed assets</p> <p>Equipment and fittings 0 Other 14</p> <p>(2) Other extraordinary gains</p> <p>Gain on prior period adjustments 5 Other 0</p> <p>Other 4</p> <p>2) Extraordinary losses</p> <p>(1) Loss on disposal of fixed assets</p> <p>Buildings and structures 17 Equipment and fittings 18 Other 1</p> <p>(2) Loss on sale of fixed assets</p> <p>Buildings 5 Equipment and fittings 0 Land 10</p> <p>(3) Other extraordinary losses</p> <p>Appraisal loss on investment securities 3 Other 4</p>

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006																								
<p>3. _____</p>	<p>3. Impairment loss</p> <p>The Group recognized impairment losses of the following property groups.</p> <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Location</th> <th style="text-align: left;">Use</th> <th style="text-align: left;">Category</th> <th style="text-align: left;">Other</th> </tr> </thead> <tbody> <tr> <td>Kyoto city, Kyoto</td> <td>Idle assets</td> <td>Land etc.</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Mitano-ku, Tokyo</td> <td>Idle assets</td> <td>Land etc.</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Chino city, Nagano</td> <td>Idle assets</td> <td>Land etc.</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Niseko, Hokkaido</td> <td>Idle assets</td> <td>Buildings etc.</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Mitano-ku, Tokyo</td> <td>Idle assets</td> <td>Intangible assets</td> <td>Telephone subscription</td> </tr> </tbody> </table> <p style="margin-top: 10px;">The Group's business categories are based on management accounting segments, and idle assets are grouped according real estate.</p> <p style="margin-top: 10px;">Due to the significant decline in the market price of these idle assets, the book value of the aforementioned assets has been lowered to the amount deemed recoverable. As a result, a reduction of 74 million yen has been recognized under extraordinary losses as an impairment loss.</p> <p style="margin-top: 10px;">The recoverable amount is calculated using the net sales value, with reference to the actual price.</p>	Location	Use	Category	Other	Kyoto city, Kyoto	Idle assets	Land etc.	—	Mitano-ku, Tokyo	Idle assets	Land etc.	—	Chino city, Nagano	Idle assets	Land etc.	—	Niseko, Hokkaido	Idle assets	Buildings etc.	—	Mitano-ku, Tokyo	Idle assets	Intangible assets	Telephone subscription
Location	Use	Category	Other																						
Kyoto city, Kyoto	Idle assets	Land etc.	—																						
Mitano-ku, Tokyo	Idle assets	Land etc.	—																						
Chino city, Nagano	Idle assets	Land etc.	—																						
Niseko, Hokkaido	Idle assets	Buildings etc.	—																						
Mitano-ku, Tokyo	Idle assets	Intangible assets	Telephone subscription																						

Changes in Consolidated Shareholders' Equity

Current fiscal year (November 1, 2006 – October 31, 2007)

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

Class of shares	As of the end of the previous consolidated fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	As of the end of the current consolidated fiscal year
Outstanding shares				
Common stock	34,261,468	—	—	34,261,468
Total	34,261,468	—	—	34,261,468
Treasury stock				
Common stock (Notes 1, 2)	877,001	317,923	31	1,194,893
Total	877,001	317,923	31	1,194,893

Notes

- Increase in number of shares in common stock of treasury stock, 317,923 shares, is due to a share increase of 315,600 shares following a directors' resolution and 2,323 shares as purchase of odd stock.
- Decrease in number of shares in common stock of treasury stock, 31 shares, is due to the sale of odd stock.

2. Dividends

1) Dividends paid

Resolution	Class of shares	Amount of dividend paid	Dividend per share	Record date	Effective date
General Shareholders' Meeting (January 26, 2007)	Common stock	667 million yen	20 yen	October 31, 2006	January 29, 2007

2) Dividends resolved upon during the current period that will be effective after the period ends

Resolution	Class of shares	Amount of dividend paid	Dividend per share	Record date	Effective date
General Shareholders' Meeting (January 29, 2008)	Common stock	661 million yen	20.00 yen	October 31, 2007	January 30, 2008

Previous fiscal year (November 1, 2005 – October 31, 2006)

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

Class of shares	As of the end of the previous consolidated fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	As of the end of the current consolidated fiscal year
Outstanding shares				
Common stock	34,261,468	—	—	34,261,468
Total	34,261,468	—	—	34,261,468
Treasury stock				
Common stock (Notes 1, 2)	872,309	4,752	60	877,001
Total	872,309	4,752	60	877,001

Notes

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

2. Dividends

1) Dividends paid

Resolution	Class of shares	Amount of dividend paid	Dividend per share	Record date	Effective date
General Shareholders' Meeting (January 27, 2006)	Common stock	584 million yen	17.50 yen	October 31, 2005	January 30, 2006

2) Dividends resolved upon during the current period that will be effective after the period ends

Resolution	Class of shares	Amount of dividend paid	Dividend per share	Record date	Effective date
General Shareholders' Meeting (January 26, 2007)	Common stock	667 million yen	20.00 yen	October 31, 2006	January 29, 2007

Consolidated Statements of Cash Flows

Current fiscal year ended October 31, 2007	Previous fiscal year ended October 31, 2006																				
<p>1. The reconciliation of cash and cash equivalents to amounts in the consolidated balance sheets are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Cash and deposits</td> <td style="text-align: right;">40,856 million yen</td> </tr> <tr> <td>Marketable securities</td> <td style="text-align: right;">3,106 million yen</td> </tr> <tr> <td>Term deposits with maturities longer than 3 months</td> <td style="text-align: right;">(2,884) million yen</td> </tr> <tr> <td>Marketable securities due to mature within one year</td> <td style="text-align: right;">(2,082) million yen</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">38,995 million yen</td> </tr> </table>	Cash and deposits	40,856 million yen	Marketable securities	3,106 million yen	Term deposits with maturities longer than 3 months	(2,884) million yen	Marketable securities due to mature within one year	(2,082) million yen	Cash and cash equivalents	38,995 million yen	<p>1. The reconciliation of cash and cash equivalents to amounts in the consolidated balance sheets are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Cash and deposits</td> <td style="text-align: right;">36,754 million yen</td> </tr> <tr> <td>Marketable securities</td> <td style="text-align: right;">4,721 million yen</td> </tr> <tr> <td>Term deposits with maturities longer than 3 months</td> <td style="text-align: right;">(2,556) million yen</td> </tr> <tr> <td>Marketable securities due to mature within one year</td> <td style="text-align: right;">(2,403) million yen</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">36,515 million yen</td> </tr> </table>	Cash and deposits	36,754 million yen	Marketable securities	4,721 million yen	Term deposits with maturities longer than 3 months	(2,556) million yen	Marketable securities due to mature within one year	(2,403) million yen	Cash and cash equivalents	36,515 million yen
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Cash and cash equivalents	36,515 million yen																				
<p>2. _____</p>	<p>2. Breakdown of assets increased due to acquisition of business</p> <p>Breakdown of assets increased due to acquisition of business in the current fiscal year is as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Fixed assets</td> <td style="text-align: right;">34 million yen</td> </tr> </table>	Fixed assets	34 million yen																		
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(1) Lease Transactions

Current fiscal year ended October 31, 2007	Previous fiscal year ended October 31, 2006																																								
<p>Finance lease transactions other than those in which the title to the leased asset is deemed to transfer to the lessee</p> <p>(1) Amounts equivalent to acquisition cost, accumulated depreciation and net book value at end of the period</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Acquisition cost</th> <th style="text-align: center;">Accumulated depreciation</th> <th style="text-align: center;">(yen millions) Net leased property</th> </tr> </thead> <tbody> <tr> <td>Equipment and fittings</td> <td style="text-align: center;">85</td> <td style="text-align: center;">38</td> <td style="text-align: center;">46</td> </tr> <tr> <td>Software</td> <td style="text-align: center;">76</td> <td style="text-align: center;">27</td> <td style="text-align: center;">49</td> </tr> <tr> <td>Other</td> <td style="text-align: center;">24</td> <td style="text-align: center;">13</td> <td style="text-align: center;">10</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">186</td> <td style="text-align: center;">79</td> <td style="text-align: center;">107</td> </tr> </tbody> </table> <p>Note: Same as right.</p>		Acquisition cost	Accumulated depreciation	(yen millions) Net leased property	Equipment and fittings	85	38	46	Software	76	27	49	Other	24	13	10	Total	186	79	107	<p>Finance lease transactions other than those in which the title to the leased asset is deemed to transfer to the lessee</p> <p>(1) Amounts equivalent to acquisition cost, accumulated depreciation and net book value at end of the period</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Acquisition cost</th> <th style="text-align: center;">Accumulated depreciation</th> <th style="text-align: center;">(yen millions) Net leased property</th> </tr> </thead> <tbody> <tr> <td>Equipment and fittings</td> <td style="text-align: center;">96</td> <td style="text-align: center;">38</td> <td style="text-align: center;">57</td> </tr> <tr> <td>Software</td> <td style="text-align: center;">73</td> <td style="text-align: center;">23</td> <td style="text-align: center;">50</td> </tr> <tr> <td>Other</td> <td style="text-align: center;">31</td> <td style="text-align: center;">18</td> <td style="text-align: center;">13</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">201</td> <td style="text-align: center;">80</td> <td style="text-align: center;">121</td> </tr> </tbody> </table> <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>		Acquisition cost	Accumulated depreciation	(yen millions) Net leased property	Equipment and fittings	96	38	57	Software	73	23	50	Other	31	18	13	Total	201	80	121
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<p>(4) Method of calculating depreciation expense equivalents Same as right.</p>	<p>(4) Method of calculating depreciation expense equivalents Straight-line method: useful life assumed to be lease period; residual value zero.</p>																																								
<p>(Impairment loss) Same as right.</p>	<p>(Impairment loss) No impairment loss allocated over lease assets.</p>																																								

(2) Securities

Current Fiscal Year (November 1, 2006 – October 31, 2007)

1) Securities held to maturity with market value (as of October 31, 2007)

(yen million)

	Type	Book value	Market value	Difference
Securities with market value on the consolidated balance sheet that exceed book value	Corporate bond	98	99	1
	Subtotal	98	99	1
Securities with market value on the consolidated balance sheet that do not exceed book value	Gov't. / Local bond	80	80	--
	Corporate bond	400	393	(7)
	Other	3,016	2,922	(93)
	Subtotal	3,497	3,396	(100)
Total		3,596	3,496	(99)

2) Other securities with market value (as of October 31, 2007)

(yen million)

	Type	Acquisition Cost	Book value	Difference
Securities with market value on the consolidated balance sheet that exceed the acquisition cost	Equities	6	8	1
	Other	2,716	2,797	80
	Subtotal	2,723	2,805	82
Securities with market value on the consolidated balance sheet that do not exceed the acquisition cost	Equities	4,148	3,421	(726)
	Other	510	462	(47)
	Subtotal	4,658	3,884	(774)
Total		7,382	6,689	(692)

3) Non - marketable securities (as of October 31, 2007)

(Book value, yen million)

Bonds held to maturity		
Unlisted foreign bond		137
Other securities		
Monetary management funds		1,022
Free financial funds		1
Unlisted stocks (excluding OTC stocks)		335

**4) Projected future redemption of securities with maturities and debt securities held to maturity
(as of October 31, 2007)**

(yen million)

Category	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 yrs
Bonds				
Gov't / local bonds	80	—	—	—
Corporate bonds	—	636	—	—
Other	1,000	716	—	1,300
Other	—	160	214	—
Total	1,080	1,513	214	1,300

Previous Fiscal Year (November 1, 2005 – October 31, 2006)

1) Securities held to maturity with market value (as of October 31, 2006)

(yen million)

	Type	Book value	Market value	Difference
Securities with market value on the consolidated balance sheet that exceed book value	Corporate bond	100	100	0
	Subtotal	100	100	0
Securities with market value on the consolidated balance sheet that do not exceed book value	Corporate bond	2,299	2,270	(28)
	Subtotal	2,299	2,270	(28)
Total		2,399	2,370	(28)

2) Other securities with market value (as of October 31, 2006)

(yen million)

	Type	Acquisition Cost	Book value	Difference
Securities with market value on the consolidated balance sheet that exceed the acquisition cost	Equities	6	18	12
	Other	2,236	2,285	48
	Subtotal	2,243	2,304	60
Securities with market value on the consolidated balance sheet that do not exceed the acquisition cost	Equities	4,121	3,128	(992)
	Other	407	383	(24)
	Subtotal	4,528	3,511	(1,016)
Total		6,772	5,815	(956)

3) Non - marketable securities (as of October 31, 2006)

(Book value, yen million)

Bonds held to maturity		
Unlisted foreign bond		129
Other securities		
Monetary management funds		2,032
Free financial funds		1
Medium-term JGB funds		282
Unlisted stocks (excluding OTC stocks)		81
Unlisted domestic bonds		2,000
Unlisted foreign bonds		0
Money trust		500

4) Projected future redemption of securities with maturities and debt securities held to maturity
(As of October 31, 2006)

(yen million)

Category	Less than 1 year	1 to 5 years	5 to 10 years	Longer than 10 yrs
Bonds				
Corporate bonds	2,400	2,117	—	—
Other	—	205	—	500
Total	2,400	2,322	—	500

(3) Derivatives transactions

1. Derivatives transaction items

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
<p>(1) Type of transaction Same as right.</p> <p>(2) Transaction policy Same as right.</p> <p>(3) Purpose of transactions Same as right.</p> <p>.a) Hedge accounting Same as right.</p> <p>b) Hedging methods and risks hedged Same as right.</p> <p>c) Hedging policy Same as right.</p> <p>d) Assessing the effectiveness of a hedge Same as right.</p> <p>(4) Risks of derivative transactions Same as right.</p> <p>(5) Framework for management of transaction risk Same as right.</p>	<p>(1) Type of transaction The Group utilizes forward foreign exchange transactions.</p> <p>(2) Transaction policy The Group's policy is to utilize derivative transactions to hedge the financial risk arising from foreign exchange in order to efficiently manage risk and to avoid the use of derivative transactions for speculation.</p> <p>(3) Purpose of transactions Derivative transactions are used to ameliorate the foreign exchange rate fluctuation risk in respect of foreign currency denominated monetary assets and liabilities. Hedge accounting is applied to derivative transactions</p> <p>a) 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>b) Hedging methods and risks hedged Hedging methods: forward foreign exchange contracts. Risks hedged: foreign currency denominated accrued operational expenses.</p> <p>c) Hedging policy Based on our internal 'Market Risk Management Regulations', foreign exchange rate fluctuation risk is hedged.</p> <p>d) 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>(4) Risks of derivative transactions Foreign exchange contracts carry the risk that foreign currency must be purchased at the contracted rate even if the yen strengthens. Further, in option transactions short-term put options carry the risk that the foreign currency must be purchased at the strike price even if the yen strengthens. As the contract counterparties in these transactions are financial institutions with high credit ratings, the company feels that the risk of the counterparty failing to honor a contract is very low.</p> <p>(5) Framework for management of transaction risk The basic policy on derivatives transactions is decided by the Board of Directors and the execution and management of transactions is performed by the Accounting Department. Outstanding transaction amounts and profits and losses are reported regularly to the Board of Directors.</p>

<p style="text-align: center;">Current fiscal year, ended October 31, 2007</p>	<p style="text-align: center;">Previous fiscal year, ended October 31, 2006</p>
<p>(6) Additional explanation of transaction market value, etc. Same as right.</p>	<p>(6) Additional explanation of transaction market value, etc. In consideration of the amount of the Group's transactions the period end derivatives transaction balance is not considered to be large..</p>

2. Transaction market value

Derivative transaction contract amounts, market value and appraisal gains and losses:

In respect of fiscal 2007 and fiscal 2006, as hedge accounting has been applied to all of the derivatives transactions of the H.I.S. Group this item does not apply.

(4) Retirement Benefits

1. Outline of employees retirement benefit system

The company and its domestic consolidated subsidiaries have defined benefit pension plans consisting of a lump sum retirement payment system. Certain foreign consolidated subsidiaries have also established defined benefit pension schemes.

2. Retirement Benefit Liabilities

(yen million)

	Current Fiscal Year (Ended October 31, 2007)	Previous Fiscal Year (Ended October 31, 2006)
(1) Retirement benefit obligation	(1,259)	(1,129)
(2) Pension fund assets	—	—
(3) Unfunded retirement benefit obligation (1+2)	(1,259)	(1,129)
(4) Unrecognized actuarial difference	(15)	76
(5) Unrecognized prior service liabilities	—	—
(6) Reserve for retirement allowance (3+4+5)	(1,274)	(1,053)

3. Retirement Benefit Expenses

(yen million)

	Current Fiscal Year (Ended October 31, 2007)	Previous Fiscal Year (Ended October 31, 2006)
(1) Service expense	205	177
(2) Interest expense	20	16
(3) Amortization of actuarial differences	78	(26)
(4) Retirement benefit expenses (1+2+3)	304	167

4. Basis of Calculations of Retirement Benefit Liabilities

	Current Fiscal Year (Ended October 31, 2007)	Previous Fiscal Year (Ended October 31, 2006)
(1) Discount ratio	Same as right.	2.0%
(2) Allocation method for estimated retirement benefit amounts	Same as right.	Fixed installment method
(3) Amortization actuarial differences	Same as right.	1 year

(5) Tax Effective Accounting

(yen million)

Current Fiscal Year (Ended October 31, 2007)	Previous Fiscal Year (Ended October 31, 2006)		
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)		
Accrued bonuses	704	Accrued bonuses	721
Accrued sales receivables	439	Accrued sales receivables	433
Accrued social insurance premiums	74	Accrued social insurance premiums	78
Accrued business office tax	18	Accrued business office tax	17
Accrued business tax	88	Accrued business tax	163
Accrued levies for employing disabled persons	2	Accrued levies for employing disabled persons	2
Deferred gain / loss on hedges	811	Excess of allowance for doubtful accounts	27
Other	62	Other	32
Gross deferred tax assets subtotal	2,203	Gross deferred tax assets subtotal	1,491
Amount in excess of bad-debt reserve limit	(10)	Less: Valuation allowance	(0)
Total deferred tax assets	2,193	Total deferred tax assets	1,491
(Deferred tax liabilities)		(Deferred tax liabilities)	
Excess of allowance for doubtful accounts	(10)		
Other	(1)	Other	(0)
Total deferred tax liabilities	(11)		
Net deferred tax assets	2,181	Net deferred tax assets	1,491

(2) Deferred tax assets: Long-term		(2) Deferred tax assets: Long-term	
(Deferred tax assets)		(Deferred tax assets)	
Excess of allowance for doubtful accounts	36	Excess of allowance for doubtful accounts	52
Accrued employees' retirement benefits	505	Accrued employees' retirement benefits	414
Accrued directors' and statutory auditors' retirement benefits	159	Accrued directors' and statutory auditors' retirement benefits	172
Unrecognized one-time asset depreciation	4	Unrecognized one-time asset depreciation	4
Unrecognized appraisal loss on investment securities	3	Unrecognized appraisal loss on investment securities	3
Losses carried forward	55	Losses carried forward	0
Unrealized holding loss on securities	319	Unrealized holding loss on securities	406
Other	24	Other	17
Gross deferred tax assets subtotal	1,108	Gross deferred tax assets subtotal	1,074
Less: Valuation allowance	(99)	Less: Valuation allowance	(57)
Total deferred tax assets	1,009	Total deferred tax assets	1,016
(Deferred tax liabilities)		(Deferred tax liabilities)	
Excess of allowance for doubtful accounts	(2)	Reserve for special depreciation	(1)
Unrealized holding gain on securities	(39)	Unrealized holding gain on securities	(26)
Total deferred tax liabilities	(41)	Total deferred tax liabilities	(27)
Net deferred tax assets	968	Net deferred tax assets	988
(Deferred tax liabilities)		(Deferred tax liabilities)	
Depreciation	7	Depreciation	14
Total deferred tax liabilities	7	Other	0
(Deferred tax assets)		Total deferred tax liabilities	
Other	(0)	(Deferred tax assets)	14
Total deferred tax assets	(0)	Losses carried forward	(4)
Net deferred tax liabilities	7	Other	(0)
		Total deferred tax assets	(5)
		Net deferred tax liabilities	9

(6) Segment Information

1. Segment Information by Business

Current Fiscal Year ended October 31, 2007

(yen million)

	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:

- Business segments are classified according to those used internally by management.
- The main business of each segment is as follows:
 - Travel business: Travel business and associated businesses
 - Hotel business: Ownership and maintenance of hotels
 - Other businesses: Real estate business
- Unallocated operating expenses in the fiscal year ended October 31, 2007 were ¥2,647 million. The factors contributing to this were expenses related to the administrative department headquarters.
- Corporate assets included under eliminations and corporate for the fiscal year ended October 31, 2007 were ¥42,830 million. 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.
- Long-term pre-paid expenses and their associated amortization amounts are included in depreciation expenses and capital expenditure.

Previous Fiscal Year ended October 31, 2006

(yen million)

	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	327,353	1,602	24	328,980	—	328,980
(2) Inter-segment sales / transfers	—	44	—	44	(44)	—
Total	327,353	1,647	24	329,025	(44)	328,980
Operating expenses	318,054	1,447	0	319,502	2,242	321,744
Operating income	9,298	200	23	9,522	(2,286)	7,235
II. Assets, depreciation and capital expenditure						
Assets	61,716	5,862	253	67,831	24,688	92,520
Depreciation	402	127	0	530	645	1,176
Capital expenditure	486	1,302	—	1,788	255	2,044

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, 2006 were ¥2,286 million. 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, 2006 were ¥24,692 million. 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 (November 1, 2006 - October 31, 2007)

(yen million)

	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.

Previous Fiscal Year (November 1, 2005 - October 31, 2006)

(yen million)

	Japan	America	Asia / Oceania	Europe	Total	Eliminations & Corporate	Consolidated
I. Net sales							
(1) Sales to outside customers	310,428	6,377	7,087	5,086	328,980	—	328,980
(2) Inter-segment sales / transfers	24	14,298	11,270	4,069	29,663	(29,663)	—
Total	310,452	20,676	18,357	9,156	358,643	(29,663)	328,980
Operating expenses	302,308	20,168	17,828	8,814	349,120	(27,376)	321,744
Operating income	8,143	508	528	341	9,522	(2,286)	7,235
II. Assets	53,452	4,196	10,670	2,786	71,106	21,414	92,520

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, 2006 were 2,286 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, 2006 were 24,692 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.

4. Changes in regional division

HIS (FIJI) LIMITED, which is located in the Republic of Fiji and added to the scope of consolidation in this fiscal period, has been included in the "Asia and Australia" segment. Accordingly, the segment name was changed from "Asia and Australia" to "Asia and Oceania."

3. Overseas sales

As overseas net sales in the fiscal years ended October 31, 2007 and October 31, 2006 did not exceed 10% of consolidated net sales, they have not been disclosed.

(7) Transactions with Related Parties

Current Fiscal Year ended October 31, 2007

Subsidiaries and affiliates

Attribute	Name	Address	Capital (yen mil)	Business	Voting Rights / Ownership	Relationship		Trading content	Amount trading (yen mil)	Subjects	End of year (yen mil)
						Officers	Business				
Affiliate	Kyushu Industrial Transportation Holdings Co., Ltd.	Kumamoto -shi, Kumamoto	1,065	General & passenger automobile, truck consignment, etc.	Ownership Directly 12.2% Indirectly 11.1%	--	Domestic travel product purchases	Loan funds	2,550	Long-term loans to affiliates	1,050
								Interest received	33	Other current assets	0

Note: Policy governing the transaction

Loans of funds to Kyushu Industrial Transportation Holdings Co., Ltd. were governed by present market conditions. Furthermore, land and buildings were accepted as guarantee.

Previous Fiscal Year ended October 31, 2006

No applicable items

Per share information

Current fiscal year, ended October 31, 2007		Previous fiscal year, ended October 31, 2006	
Net assets per share	1,450.67 yen	Net assets per share	1,311.29 yen
Net income per share	135.57 yen	Net income per share	145.79 yen
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.	

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

	Current fiscal year, ended October 31, 2007		Previous fiscal year, ended October 31, 2006	
a) Net income for the year	4,521 million yen		4,867 million yen	
b) Amount not attributable to ordinary shareholders	— million yen		— million yen	
Of which, bonuses paid to directors as part of the appropriation of surplus	(—) million yen		(—) million yen	
c) Net income attributable to ordinary shares	4,521 million yen		4,867 million yen	
d) Average number of outstanding shares during the period	Common stock	33,354 thousand shares	Common stock	33,386 thousand shares

Subsequent Events

No subsequent events.

V. Non-consolidated Financial Statements

1. Balance Sheets

	<i>Millions of yen</i>				
	As of October 31, 2007	%	As of October 31, 2006	%	Change
ASSETS		%		%	
Current assets					
Cash and deposits.....	29,632		27,680		
Notes & accounts receivable	3,434		3,018		
Accrued sales receivable.....	10,452		8,671		
Marketable securities.....	3,025		4,703		
Travel deposits	7,756		6,885		
Pre-paid expenses.....	666		567		
Deferred tax assets	2,162		1,465		
Accrued income.....	60		66		
Short-term loans receivable.....	62		330		
Short-term loans to affiliates	274		704		
Accrued revenue	1,265		908		
Other current assets	1,052		915		
Allowance for doubtful accounts.....	(38)		(68)		
Total current assets	59,805	67.1	55,849	66.4	3,955
Fixed assets					
Tangible fixed assets					
Buildings and structures	1,550		1,307		
Accumulated depreciation.....	(722)		(679)		
Vehicles.....	10		10		
Accumulated depreciation.....	(8)		(7)		
Equipment and fittings	1,671		1,501		
Accumulated depreciation.....	(1,129)		(1,013)		
Land	235		235		
Total tangible fixed assets	1,607	1.8	1,354	1.6	252
Intangible fixed assets					
Goodwill	8		11		
Trade mark rights.....	18		17		
Telephone subscription rights	79		79		
Telephone facility access rights	1		1		
Software	896		1,247		
Other intangible fixed assets	13		74		
Total intangible fixed assets.....	1,017	1.1	1,432	1.7	(415)

	<i>Millions of yen</i>				
	As of October 31, 2007		As of October 31, 2006		Change
Investments and other assets					
Investments in securities	8,431		8,121		
Shares in affiliates	11,167		11,221		
Investments in affiliates	317		328		
Long-term loans receivable	374		414		
Long-term loans to affiliates	1,259		500		
Long-term prepaid expenses	15		11		
Deferred tax assets	907		945		
Guarantee deposits	3,782		3,405		
Other investments and other assets	506		510		
Allowance for doubtful accounts	(74)		(42)		
Total investments and other assets	26,687	30.0	25,417	30.3	1,269
Total fixed assets	29,312	32.9	28,204	33.6	1,107
Total Assets	89,117	100.0	84,053	100.0	5,063

LIABILITIES

Current liabilities

Notes & accounts payable	14,089		12,996		
Accrued payable	820		581		
Accrued expenses	1,061		1,020		
Accrued income taxes	881		2,056		
Accrued consumption taxes	384		440		
Pre-trip deposits	22,207		20,345		
Insurance deposits	349		432		
Accrued bonuses	1,682		1,743		
Accrued bonuses for directors	22		30		
Gift certificate	634		447		
Short-term accrued interest for travel funds	1		0		
Forward exchange contracts	1,995		—		
Other current liabilities	477		1,045		
Total current liabilities	44,608	50.1	41,140	49.0	3,468

Long-term liabilities

Accrued employees' retirement benefits	1,121		909		
Accrued directors' and statutory auditors' retirement benefits	369		406		
Long-term accrued interest for travel funds	1		0		
Guarantee deposits	40		40		
Other long-term liabilities	97		15		
Total long-term liabilities	1,631	1.8	1,372	1.6	259
Total liabilities	46,239	51.9	42,512	50.6	3,727

	<i>Millions of yen</i>				
	As of October 31, 2007	As of October 31, 2006	As of October 31, 2006	As of October 31, 2006	Change
NET ASSETS					
Shareholders' Equity					
Common stock.....	6,882	7.7	6,882	8.2	--
Capital surplus.....	7,782	8.7	7,782	9.2	0
Capital reserve.....	7,778		7,778		
Other capital surplus	3		3		
Retained earnings.....	31,366	35.2	28,854	34.3	2,512
Earned reserve	246		246		
Contingent reserve					
Other reserve	25,565		23,565		
Reserve for special depreciation	--		2		
Retained earnings brought forward	5,555		5,040		
Treasury stock	(1,563)	(1.7)	(857)	(1.0)	(705)
Total shareholders' equity.....	44,467	49.9	42,661	50.7	1,806
Appraisal and translation differences					
Unrealized holding losses on securities.....	(407)	(0.5)	(553)	(0.6)	146
Deferred gain/loss on hedges.....	(1,183)	(1.3)	(566)	(0.7)	(616)
Total appraisal and translation differences.....	(1,590)	(1.8)	(1,120)	(1.3)	(470)
Total net assets.....	42,877	48.1	41,541	49.4	1,335
Total Liabilities and Net Assets.....	89,117	100.0	84,053	100.0	5,063

2. Statements of Income

	<i>Millions of yen</i>				
	FY ended October 31, 2007		FY ended October 31, 2006		Change
Net sales.....	317,546	100.0	288,880	100.0	28,666
Overseas travel	299,272		272,231		
Domestic travel.....	15,425		13,989		
Other	2,848		2,659		
Cost of sales.....	277,537	87.4	250,514	86.7	27,023
Overseas travel	263,787		238,082		
Domestic travel.....	13,746		12,429		
Other	2		2		
Gross profit	40,009	12.6	38,365	13.3	1,643
Selling, general and administrative expenses	35,299	11.1	32,631	11.3	2,668
Operating income	4,709	1.5	5,734	2.0	(1,024)
Non-operating income					
Interest income	290		196		
Dividend income	355		321		
Commission income	25		25		
Foreign exchange gains	47		40		
Others.....	32		21		
Total non-operating income	751	0.2	607	0.2	144
Non-operating expenses					
Addition to allowance for bad debt	44		89		
Loss of investments in partnership	49		—		
Others.....	0		13		
Total non-operating expenses	94	0.0	103	0.0	(8)
Ordinary income	5,366	1.7	6,238	2.2	(872)
Extraordinary gains					
Gain on sale of investment securities	47		45		
Gain on sale of shares of affiliates	—		1		
Gain on reversal of reserve for losses on liquidation of affiliates.....	—		21		
Refunded foreign tax	179		—		
Total extraordinary gains	227	0.0	68	0.0	158
Extraordinary losses					
Loss on sale of fixed assets	—		16		
Loss on disposal of fixed assets.....	51		35		
Appraisal loss on investment securities.....	—		3		
Valuation losses on investments	10		—		
Accident-related costs	12		—		
System-use contract cancellation.....	4		—		
Total extraordinary losses	78	0.0	54	0.0	23
Net income before income taxes	5,515	1.7	6,252	2.2	(736)
Income taxes - current.....	2,282		2,814		
Income taxes - deferred.....	53		(225)		
Subtotal	2,335	0.7	2,589	0.9	(253)
Net income	3,179	1.0	3,663	1.3	(483)

3. Statements of Changes to Shareholders' Equity

Current fiscal year (November 1, 2006 – October 31, 2007)

(yen million)

	Shareholders' Equity										Total Shareholders equity
	Common stock	Capital surplus			Retained earnings				I		
		A	B	C	D	Contingent reserve					
						E	F	G		H	
Balance as of October 31, 2006	6,882	7,778	3	7,782	246	23,565	2	5,040	28,854	(857)	42,661
Fluctuations in the period											
Dividends (*)				—				(667)	(667)		(667)
Funded reserve (*)				—		2,000		(2,000)	—		—
Reserve for special depreciation (*)				—			(1)	1	—		—
Reserve for special depreciation				—			(1)	1	—		—
Net income				—				3,179	3,179		3,179
Acquisition of treasury stock				—					—	(705)	(705)
Sale of treasury stock			0	0					—	0	0
Fluctuations other than shareholders' equity in the period (net)				—					—		—
Total fluctuation in the period	—	—	0	0	—	2,000	(2)	515	2,512	(705)	1,806
Balance as of October 31, 2007	6,882	7,778	3	7,782	246	25,565	—	5,555	31,366	(1,563)	44,467

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

H: Total retained earnings

I: Treasury stock

(yen million)

	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, 2006	(553)	(566)	(1,120)	41,541
Fluctuations in the period				
Dividends (*)			—	(667)
Funded reserve (*)			—	—
Reserve for special depreciation (*)			—	—
Reserve for special depreciation			—	—
Net income			—	3,179
Acquisition of treasury stock			—	(705)
Sale of treasury stock			—	0
Fluctuations other than shareholders' equity in the period (net)	146	(616)	(470)	(470)
Total fluctuation in the period	146	(616)	(470)	1,335
Balance as of October 31, 2007	(407)	(1,183)	(1,590)	42,877

*Note: Dividends were made within approval of the general shareholder's meeting held in January 2007.

Previous fiscal year (November 1, 2005 – October 31, 2006)

(yen million)

	Shareholders' Equity										
	Common stock	Capital surplus			Retained earnings				I	Total Shareholders equity	
					D	Contingent reserve					H
		A	B	C		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)
Bonus for directors				—				(25)	(25)		(25)
Funded reserve				—		2,000		(2,000)	—		—
Reserve for special I 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 shareholders' 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

A: Capital reserve

D: Earned reserve

G: Retained earnings brought forward

B: Other capital surplus

E: Other reserve

H: Total retained earnings

C: Total capital surplus

F: Reserve for special depreciation

I: Treasury stock

(yen million)

	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 shareholders' equity in the period (net)		(1,498)	(566)	(2,065)
Total fluctuation in the period		(1,498)	(566)	974
Balance as of October 31, 2006		(553)	(566)	41,541

4. Summary of Significant Accounting Policies

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
<p>1. Method and basic principles of valuation of marketable securities</p> <p>(1) Bonds held to maturity Same as right.</p> <p>(2) Investments in subsidiaries and affiliated companies Investments are valued at cost, which is determined by the moving average method.</p> <p>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 Financial Instruments and Exchange Law), based on the most recent financial statements available according to the earnings report data as defined in the partnership agreement.</p> <p>(3) Other securities <i>Securities with market value:</i> Same as right.</p> <p><i>Securities without market value:</i> Same as right.</p> <p>2. Derivatives Same as right.</p> <p>3. Method for Depreciating Significant Assets</p> <p>(1) Tangible fixed assets Same as right.</p>	<p>1. Method and basic principles of valuation of marketable securities</p> <p>(1) Bonds held to maturity Bonds are valued using the cost amortization method (Straight line method).</p> <p>(2) Investments in subsidiaries and affiliated companies Investments are valued at cost, which is determined by the moving average method.</p> <p>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>(3) 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 style="text-align: center;">Current fiscal year, ended October 31, 2007</p>	<p style="text-align: center;">Previous fiscal year, ended October 31, 2006</p>
<p>(2) Intangible fixed assets Same as right.s</p> <p>(3) Long-term prepaid expenses Same as right.</p> <p>4. Translation of Foreign Currency Denominated Assets and Liabilities into Japanese yen Same as right.</p> <p>5. Reserves</p> <p>(1) Allowance for doubtful accounts Same as right.</p> <p>(2) Accrued bonuses Same as right.</p> <p>(3) Accrued bonuses for directors Same as right.</p> <p>(4) Accrued employees' retirement benefits Same as right.</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>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. Translation of Foreign Currency Denominated Assets and Liabilities into Japanese yen 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>5. 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>(5) Accrued directors' and statutory auditors' retirement benefits Same as right.</p> <p>(6) Accrued interest for travel funds Same as right.</p> <p>6. Standards for recognizing revenue and costs Same as right.</p> <p>7. Accounting treatment of leases Same as right.</p> <p>8. Hedge accounting methods (1) Hedge accounting Same as right.</p> <p>(2) Hedging methods and risks hedged Same as right.</p> <p>(3) Hedging policy Same as right.</p> <p>(4) Assessing the effectiveness of a hedge Same as right.</p> <p>9. Other significant accounting policies Accounting for consumption tax: Same as right.</p>	<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>6. Standards for recognizing revenue and costs Travel sales and travel cost of sales are recognized based on the date of departure.</p> <p>7. 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>8. 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>9. Other significant accounting policies Accounting for consumption tax: The consumption tax exclusion method is applied.</p>
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Changes in Basis of Presentation of Financial Statements

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
1. _____	<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>
2. _____	<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>
3. _____	<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>4. Accounting Standard for Depreciating Tangible Fixed Assets</p> <p>Tangible fixed assets acquired on or after 1 April 2007 will be depreciated in accordance with the corporation tax law revised as part of the FY2007 tax system reform.</p> <p>The revision will have a slight affect on operating, recurring, and pretax profits.</p>	<p>4. _____</p>

Additional Information

<p style="text-align: center;">Current fiscal year, ended October 31, 2007</p>	<p style="text-align: center;">Previous fiscal year, ended October 31, 2006</p>
<p>(Consolidated balance sheet)</p> <p>Deferred-hedge foreign exchange contracts that had been included in the line item "Other" under current liabilities up until FY2006 are shown as "Forward exchange contracts" under current liabilities in FY2007 because the value of such contracts exceeded more than 1/100th of the total of liabilities and net assets.</p> <p>Forward exchange contracts at the end of FY2006 were valued at 566 million yen.</p>	<hr style="width: 20%; margin: 0 auto;"/>

Notes

Balance Sheets

As of October 31, 2007	As of October 31, 2006																																																			
<p>1. _____</p> <p>2. Assets and liabilities of affiliated companies</p> <p>Notes and accounts receivable: 517 million yen Notes and accounts payable: 3,212 million yen</p> <p>3. Contingent liabilities</p> <p>(1) The limits of debt guarantee regarding bank guarantees are as follows:</p> <table border="0"> <tr> <td>H.I.S. INTERNATIONAL TOURS FRANCE</td> <td style="text-align: right;">3,190 thousand euros (528 million yen)</td> </tr> <tr> <td>H.I.S. Deutschland Touristik GmbH.</td> <td style="text-align: right;">354 thousand euros (58 million yen)</td> </tr> <tr> <td>H.I.S. EUPOPE ITALY S.R.L.</td> <td style="text-align: right;">1,521 thousand euros (251 million yen)</td> </tr> <tr> <td>H.I.S. EUPORE LIMITED</td> <td style="text-align: right;">3,500 thousand pounds (831 million yen)</td> </tr> <tr> <td>H.I.S. (HONG KONG) COMPANY LIMITED</td> <td style="text-align: right;">HK\$960 thousand (14 million yen)</td> </tr> <tr> <td>H.I.S. TOURS CO., LTD.</td> <td style="text-align: right;">US\$ 1,000 thousand (114 million yen)</td> </tr> </table> <p>(2) Guarantee liabilities</p> <p>Guarantee liabilities regarding operations for the Company listed below are as follows:</p> <table border="0"> <tr> <td>ATB Co., Ltd.:</td> <td style="text-align: right;">No fixed amount (Guarantee on accounts payable)</td> </tr> <tr> <td>Skymark Airlines Inc.:</td> <td style="text-align: right;">US\$1,535 thousand (176 million yen)</td> </tr> <tr> <td>Orion Tour Co., Ltd.:</td> <td style="text-align: right;">15 million yen</td> </tr> </table>	H.I.S. INTERNATIONAL TOURS FRANCE	3,190 thousand euros (528 million yen)	H.I.S. Deutschland Touristik GmbH.	354 thousand euros (58 million yen)	H.I.S. EUPOPE ITALY S.R.L.	1,521 thousand euros (251 million yen)	H.I.S. EUPORE LIMITED	3,500 thousand pounds (831 million yen)	H.I.S. (HONG KONG) COMPANY LIMITED	HK\$960 thousand (14 million yen)	H.I.S. TOURS CO., LTD.	US\$ 1,000 thousand (114 million yen)	ATB Co., Ltd.:	No fixed amount (Guarantee on accounts payable)	Skymark Airlines Inc.:	US\$1,535 thousand (176 million yen)	Orion Tour Co., Ltd.:	15 million yen	<p>1. Pledged assets</p> <p style="text-align: right;">(yen million)</p> <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="3">Pledged assets</th> <th colspan="2">Secured liabilities</th> </tr> <tr> <th>Type</th> <th>Book value</th> <th>Type of pledge</th> <th>Comments</th> <th>End of term balance</th> </tr> </thead> <tbody> <tr> <td>Cash and deposits</td> <td style="text-align: center;">433</td> <td>Pledge</td> <td>Bank guarantee</td> <td style="text-align: center;">433</td> </tr> </tbody> </table> <p>2. Assets and liabilities of affiliated companies</p> <p>Notes and accounts receivable: 483 million yen Notes and accounts payable: 2,804 million yen</p> <p>3. Contingent liabilities</p> <p>(1) The limits of debt guarantee regarding bank guarantees are as follows:</p> <table border="0"> <tr> <td>H.I.S. INTERNATIONAL TOURS FRANCE</td> <td style="text-align: right;">1,690 thousand euros (236 million yen)</td> </tr> <tr> <td>H.I.S. Deutschland Touristik GmbH.</td> <td style="text-align: right;">354 thousand euros (49 million yen)</td> </tr> <tr> <td>H.I.S. EUPOPE ITALY S.R.L.</td> <td style="text-align: right;">20 thousand euros (2 million yen)</td> </tr> <tr> <td>H.I.S. EUPORE LIMITED</td> <td style="text-align: right;">3,500 thousand pounds (719 million yen)</td> </tr> <tr> <td>H.I.S. (HONG KONG) COMPANY LIMITED</td> <td style="text-align: right;">HK\$1,600 thousand (23 million yen)</td> </tr> <tr> <td>ATB Co., Ltd.</td> <td style="text-align: right;">618 million yen</td> </tr> </table> <p>(2) Guarantee liabilities</p> <p>Guarantee liabilities regarding operations for the Company listed below are as follows:</p> <table border="0"> <tr> <td>ATB Co., Ltd.:</td> <td style="text-align: right;">No fixed amount (Guarantee on accounts payable)</td> </tr> <tr> <td>Skymark Airlines Inc.:</td> <td style="text-align: right;">US\$1,478 thousand (171 million yen)</td> </tr> <tr> <td>KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.:</td> <td style="text-align: right;">No fixed amount (Guarantee on payment of rents in service area)</td> </tr> </table>	Pledged assets			Secured liabilities		Type	Book value	Type of pledge	Comments	End of term balance	Cash and deposits	433	Pledge	Bank guarantee	433	H.I.S. INTERNATIONAL TOURS FRANCE	1,690 thousand euros (236 million yen)	H.I.S. Deutschland Touristik GmbH.	354 thousand euros (49 million yen)	H.I.S. EUPOPE ITALY S.R.L.	20 thousand euros (2 million yen)	H.I.S. EUPORE LIMITED	3,500 thousand pounds (719 million yen)	H.I.S. (HONG KONG) COMPANY LIMITED	HK\$1,600 thousand (23 million yen)	ATB Co., Ltd.	618 million yen	ATB Co., Ltd.:	No fixed amount (Guarantee on accounts payable)	Skymark Airlines Inc.:	US\$1,478 thousand (171 million yen)	KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.:	No fixed amount (Guarantee on payment of rents in service area)
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Statement of Income

Current fiscal year, ended October 31, 2007	Previous fiscal year, ended October 31, 2006
1. Selling, general and administrative expenses	1. Selling, general and administrative expenses
Selling expenses accounted for 91.9% of expenses and general and administrative expenses accounted for 8.1% of expenses.	Selling expenses accounted for 92.9% of expenses and general and administrative expenses accounted for 7.1% of expenses.
(yen millions)	(yen millions)
Advertising expense: 5,883	Advertising expense 5,180
Director remuneration 114	Director remuneration 118
Salary and bonus for employees 14,890	Salary and bonus for employees 13,945
Legal welfare expenses 2,043	Legal welfare expenses 1,934
Addition to bonus expenses 1,666	Addition to bonus expenses 1,743
Addition to bonus expenses for directors 22	Addition to bonus expenses for directors 30
Retirement benefit expense 267	Retirement benefit expense 138
Addition to Retirement benefit expense for directors 31	Addition to retirement benefit expense for directors 21
Addition to allowance for bad debt 2	Addition to allowance for bad debt 20
Addition to accrued interest for travel fund 5	Addition to accrued interest for travel fund 1
Depreciation and amortization 917	Depreciation and amortization 900
Rent: 2,717	Rent 2,642
2. Notes relating to affiliates	2. Notes relating to affiliates
Items related to affiliates are displayed below:	Items related to affiliates are displayed below:
Interest income 40	Interest income 15
Dividend income 342	Dividend income 312
Commission income 24	Commission income 24
3. _____	3. Breakdown of loss on sale of fixed assets
	Buildings and structures: 5
	Land: 10
4. Breakdown of loss on disposal of fixed assets	4. Breakdown of loss on disposal of fixed assets
Buildings and structures 40	Buildings and structures 15
Equipment and fittings 5	Equipment and fittings 17
Software 5	Other 1

Changes in Shareholders' Equity

Current Fiscal Year ended October 31, 2007

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)	877,001	317,923	31	1,194,893
Total	877,001	317,923	31	1,194,893

Notes:

- Increase in number of shares in common share of treasury stock, 317,923 shares, is due to a share increase of 315,600 shares following a directors' resolution and 2,323 shares as purchase of odd stock.
- Decrease in number of shares in common share of treasury stock, 31 shares, is due to the sale of odd stock.

Previous Fiscal Year ended October 31, 2006

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, 2007				Previous fiscal year ended October 31, 2006			
Finance lease transactions other than those in which the title to the leased asset is deemed to transfer to the lessee				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	(yen millions) Net leased property		Acquisition cost	Accumulated depreciation	(yen millions) Net leased property
Equipment and fittings	21	5	15	Equipment and fittings	37	17	20
Total	21	5	15	Total	37	17	20
Note: Same as right.				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.			
(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			4	Within one year			7
Over one year			11	Over one year			13
Total			15	Total			20
Note: Same as right.				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.			
(3) Lease payments and amount equivalent to depreciation				(3) Lease payments and amount equivalent to depreciation			
Lease payments			3	Lease payments			7
Amount equivalent to depreciation			3	Amount equivalent to depreciation			7
(4) Method of calculating depreciation expense equivalents				(4) Method of calculating depreciation expense equivalents			
Same as right.				Straight-line method: useful life assumed to be lease period; residual value zero.			
				(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 Effect Accounting

(yen million)

Current Fiscal Year (Ended October 31, 2007)	Previous Fiscal Year (Ended October 31, 2006)		
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)		
Accrued bonuses	684	Accrued bonuses	709
Accrued social insurance premiums	73	Accrued business office tax	77
Accrued business office tax	18	Accrued levies for employing disabled persons	17
Accrued levies for employing disabled persons	2	Accrued business tax	2
Accrued business tax	88	Accrued sales receivables	161
Accrued sales receivables	439	Reserve for loss on liquidation of affiliates	433
Deferred gain / loss on hedges	811	Appraisal loss on shares in affiliates	27
Other	44	Other	36
Total deferred tax assets	2,162	Total deferred tax assets	1,465
(Deferred tax liabilities)			
Unrealized holding gain on securities	(0)		
Total deferred tax liabilities	(0)		
Net deferred tax assets	2,162		

(2) Deferred tax assets: Long-term		(2) Deferred tax assets: Long-term	
(Deferred tax assets)		(Deferred tax assets)	
Unrecognized one-time asset depreciation	4	Unrecognized one-time asset depreciation	3
Excess of allowance for doubtful accounts	2	Accrued employees' retirement benefits	370
Accrued employees' retirement benefits	456	Accrued directors' and statutory auditors' retirement benefits	165
Accrued directors' and statutory auditors' retirement benefits	150	Unrecognized appraisal loss on investment securities	3
Unrecognized appraisal loss on investment securities	3	Unrealized holding loss on securities	406
Unrealized holding loss on securities	319	Excess of allowance for doubtful accounts	17
Other	9	Other	6
Total deferred tax assets	946	Total deferred tax assets	973
(Deferred tax liabilities)		(Deferred tax liabilities)	
Unrealized holding gain on securities	(39)	Unrealized holding gain on securities	(26)
		Reserve for special depreciation	(1)
Total deferred tax liabilities	(39)	Total deferred tax liabilities	(27)
Net deferred tax assets	907	Net deferred tax assets	945

Per share information

Current fiscal year, ended October 31, 2007		Previous fiscal year, ended October 31, 2006	
Net assets per share	1,296.70 yen	Net assets per share	1,244.33 yen
Net income per share	95.33 yen	Net income per share	109.73 yen
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.	

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

	Current fiscal year, ended October 31, 2007		Previous fiscal year, ended October 31, 2006	
a) Net income for the year		3,179 million yen		3,663 million yen
b) Amount not attributable to ordinary shareholders		— million yen		— million yen
c) Net income attributable to ordinary shares		3,179 million yen		3,663 million yen
d) Average number of outstanding shares during the period	Common stock	33,354 thousand shares	Common stock	33,386 thousand shares

VI. Changes of directors

1. Change of representatives
Not applicable

2. Change of other directors

(1) Candidates for new board member positions:

Board member, Kiyoshi Takagi (Current Head of Kansai Regional Sales Department)

3. Date scheduled for assumption of office

January 29, 2008

VII. Sales (consolidated)

(1) Net sales and operating income by business

(yen million)

	Current fiscal year ended October 31, 2007			Previous fiscal year ended October 31, 2006			Net sales change	Operating income change
	Net sales		Operating income	Net sales		Operating income		
	Amount	%	Amount	Amount	%	Amount		
Travel business	359,916	99.4	8,748	327,353	99.5	9,298	9.9	(5.9)
Hotel business	2,203	0.6	236	1,647	0.5	200	33.7	17.6
Other businesses	26	0.0	25	24	0.0	23	8.3	8.5
Total	362,146	100.0	9,009	329,025	100.0	9,522	10.1	(5.4)
Elimination and corporate	(62)	(0.0)	(2,647)	(44)	(0.0)	(2,286)	—	—
Consolidated	362,084	100.0	6,362	328,980	100.0	7,235	10.1	(12.1)

(2) Net sales and operating income by geographic area

(yen million)

	Current fiscal year ended October 31, 2007			Previous fiscal year ended October 31, 2006			Net sales change	Operating income change
	Net sales		Operating income	Net sales		Operating income		
	Amount	%	Amount	Amount	%	Amount		
Japan	338,256	93.4	7,433	310,452	94.3	8,143	9.0	(8.7)
America	23,370	6.5	596	20,676	6.3	508	13.0	17.4
Asia and Oceania	22,481	6.2	781	18,357	5.6	528	22.5	47.8
Europe	10,096	2.8	198	9,156	2.8	341	10.3	(41.9)
Total	394,205	108.9	9,009	358,643	109.0	9,522	9.9	(5.4)
Elimination and corporate	(32,121)	(8.9)	(2,647)	(29,663)	(9.0)	(2,286)	—	—
Consolidated	362,084	100.0	6,362	328,980	100.0	7,235	10.1	(12.1)

VIII. Sales (non-consolidated)

(1) Sales by type of operation

(yen million)

	Fiscal year ended October 31, 2007		Fiscal year ended October 31, 2006		Change
	Net sales	%	Net sales	%	
Overseas Travel	299,272	94.2	272,231	94.2	27,041
Domestic Travel	15,425	4.9	13,989	4.8	1,435
Other	2,848	0.9	2,659	1.0	189
Total	317,546	100.0	288,880	100.0	28,666

Note: The above amounts do not include consumption tax.

(2) Overseas travel: Sales by destination

(yen million)

	Fiscal year ended October 31, 2007		Fiscal year ended October 31, 2006		Change
	Net sales	%	Net sales	%	
North America	40,244	13.4	38,914	14.3	1,330
Europe	55,907	18.7	53,603	19.7	2,303
Asia	121,238	40.5	106,151	39.0	15,087
Oceania	15,759	5.3	14,170	5.2	1,589
Hawaii, Guam and Saipan	53,918	18.0	48,547	17.8	5,370
Other	12,203	4.1	10,844	4.0	1,359
Total	299,272	100.0	272,231	100.0	27,041

(3) Overseas travel: Passengers by destination

(Number of passengers)

	Fiscal year ended October 31, 2007		Fiscal year ended October 31, 2006		Change
	Passengers	%	Passengers	%	
North America	235,611	9.6	254,486	10.8	(18,875)
Europe	257,532	10.5	261,548	11.1	(4,016)
Asia	1,397,357	56.9	1,292,037	54.7	105,320
Oceania	93,136	3.8	92,332	3.9	804
Hawaii, Guam and Saipan	418,042	17.0	413,975	17.5	4,067
Other	53,042	2.2	46,875	2.0	6,167
Total	2,454,720	100.0	2,361,253	100.0	93,467