



## **Consolidated Financial Results**

### **For the First Half Ended April 30, 2008**

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

## Summary of Consolidated Financial Results For the First Half Ended April 30, 2008

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

|  |   |
|--|---|
| Exchange Listed:                         | Tokyo Stock Exchange, 1 <sup>st</sup> section           |
| Principal Office:                        | Tokyo, Japan  |
| Homepage:                                | <a href="http://www.his.co.jp">http://www.his.co.jp</a> |
| Representative Director, President:      | Akira Hirabayashi                                       |
| Contact:                                 | Narimoto Kusuhara<br>Managing Director                  |
| Telephone:                               | +81-3-5908-2070   |
| Scheduled date of filing interim report: | July 30, 2008   |

#### I. Consolidated Interim Financial Results (November 1, 2007 – April 30, 2008)

##### (1) Consolidated Operating Results

(millions of yen)

|  | First Half Ended April 30,        |        |                 |      | FY Ended October 31, |
|--|-----------------------------------|--------|-----------------|------|----------------------|
|  | 2008                              | %      | 2007            | %    | 2007                 |
| Net Sales.....                           | 173,282                           | 2.8    | 168,621         | 13.9 | 362,084              |
| Operating Income.....                    | 2,548                             | (13.4) | 2,942           | 9.6  | 6,362                |
| Ordinary Income.....                     | 2,721                             | (18.7) | 3,347           | 12.6 | 7,510                |
| Net Income.....                          | 1,600                             | (21.2) | 2,030           | 16.6 | 4,521                |
| Net Income per Share (yen).....          | 48.56                             |        | 60.82           |      | 135.57               |
| Net Income per Share, diluted (yen)..... | —                                 |        | —               |      | —                    |
| Equity in earnings of affiliates:        | First half ended April 30, 2008:  |        | 98 million yen  |      |                      |
|  | First half ended April 30, 2007:  |        | 206 million yen |      |                      |
|  | Full year ended October 31, 2007: |        | 339 million yen |      |                      |

##### (2) Consolidated Financial Position

(millions of yen)

|   | As of April 30,                   |          | As of Oct. 31,     |
|---|-----------------------------------|----------|--------------------|
|   | 2008                              | 2007     | 2007               |
| Total Assets.....                         | 102,234                           | 96,344   | 100,992            |
| Net Assets.....                           | 43,867                            | 46,301   | 48,379             |
| Shareholders' Equity Ratio (%).....       | 42.5                              | 47.6     | 47.5               |
| Shareholders' Equity per Share (Yen)..... | 1,332.55                          | 1,374.93 | 1,450.67           |
| Shareholders' equity:                     | First half ended April 30, 2008:  |          | 43,476 million yen |
|   | First half ended April 30, 2007:  |          | 45,899 million yen |
|   | Full year ended October 31, 2007: |          | 47,968 million yen |

### **(3) Consolidated Cash Flows**

(millions of yen)

|  | First Half Ended April 30, |        | FY Ended Oct. 31, |
|--|----------------------------|--------|-------------------|
|  | 2008                       | 2007   | 2007              |
| Cash Flows from Operating Activities .....       | 2,577                      | 1,511  | 5,148             |
| Cash Flows from Investing Activities .....       | (3,727)                    | (583)  | (1,793)           |
| Cash Flows from Financing Activities.....        | (1,368)                    | (671)  | (1,405)           |
| Cash and Cash Equivalents at End of Period ..... | 35,691                     | 37,139 | 38,995            |

### **2. Dividends**

|                        | FY Ended Oct. 31, |      |                 |
|------------------------|-------------------|------|-----------------|
|                        | 2007              | 2008 | 2008 (Forecast) |
| Dividends per Share    |                   |      |                 |
| Interim (yen)          | —                 | —    | —               |
| End of Term (yen)      | 20.00             | —    | 24.00           |
| Annual Dividends (yen) | 20.00             |      | 24.00           |

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

|                                  | millions of yen            |         |
|----------------------------------|----------------------------|---------|
|                                  | FY Ending October 31, 2008 |         |
| Net Sales .....                  | 389,000                    | 7.4%    |
| Operating income .....           | 6,600                      | 3.7%    |
| Ordinary Income .....            | 6,400                      | (14.8)% |
| Net Income .....                 | 3,800                      | (16.0)% |
| Net Income per Share (Yen) ..... | 116.47                     |         |

### **4. Changes of specific subsidiaries due to change in scope of consolidation: No**

### **5. Accounting policies**

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

- (i) Changes resulting from revisions to accounting standards, etc.: No  
(ii) Changes other than (i): Yes (Please refer to page 16.)

### **6. Number of shares issued (common stock)**

- (i) Number of shares issued end of fiscal period (including treasury stock):
- |                        |                   |
|------------------------|-------------------|
| As of April 30, 2008   | 34,261,468 shares |
| As of April 30, 2007   | 34,261,468 shares |
| As of October 31, 2007 | 34,261,468 shares |
- (ii) Number of treasury stock at end of fiscal period
- |                        |                  |
|------------------------|------------------|
| As of April 30, 2008   | 1,634,757 shares |
| As of April 30, 2007   | 878,194 shares   |
| As of October 31, 2007 | 1,194,893 shares |

## II. Non-consolidated Interim Financial Results (November 1, 2007 – April 30, 2008)

### (1) Non-consolidated Operating Results

(millions of yen)

|                                  | First Half Ended April 30, |        | FY Ended October 31, |      | 2007    |
|----------------------------------|----------------------------|--------|----------------------|------|---------|
|                                  | 2008                       | %      | 2007                 | %    |         |
| Net Sales .....                  | 148,837                    | 2.8    | 144,849              | 15.8 | 317,546 |
| Operating Income .....           | 1,222                      | (35.5) | 1,895                | 13.8 | 4,709   |
| Ordinary Income .....            | 1,230                      | (38.9) | 2,012                | 5.0  | 5,366   |
| Net Income .....                 | 662                        | (40.9) | 1,120                | 3.2  | 3,179   |
| Net Income per Share (Yen) ..... | 20.10                      |        | 33.57                |      | 95.33   |

### (2) Non-consolidated Financial Position

(millions of yen)

|  | As of April 30,                   |          | As of Oct. 31,     |
|--|-----------------------------------|----------|--------------------|
|  | 2008                              | 2007     | 2007               |
| Total Assets .....                         | 90,905                            | 85,572   | 89,117             |
| Net Assets .....                           | 39,073                            | 41,873   | 42,877             |
| Shareholders' Equity Ratio (%) .....       | 43.0                              | 48.9     | 48.1               |
| Shareholders' Equity per Share (Yen) ..... | 1,197.60                          | 1,254.33 | 1,296.70           |
| Shareholders' equity:                      | First half ended April 30, 2008:  |          | 39,073 million yen |
|  | First half ended April 30, 2007:  |          | 41,873 million yen |
|  | Full year ended October 31, 2007: |          | 42,877 million yen |

### (3) Non-consolidated Forecast for the Fiscal Year Ending October 31, 2008

millions of yen

FY Ending October 31, 2008

|                                  |         |         |
|----------------------------------|---------|---------|
| Net Sales .....                  | 345,000 | 8.6%    |
| Operating income .....           | 4,900   | 4.0%    |
| Ordinary Income .....            | 4,550   | (15.2)% |
| Net Income .....                 | 2,550   | (19.8)% |
| Net Income per Share (Yen) ..... | 78.16   |         |

Note: Contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors. Please consult page 6 for further information concerning the projections.

### **III. Consolidated Business Results and Financial Position**

#### **1. Business Results**

##### **(1) Review of consolidated results for the interim period**

The Japanese economy continued its recovery during the interim under review, with capital expenditure and consumer spending following the steady improvement in corporate earnings. Uncertainties remained, however, with respect to oil and other prices, foreign exchange fluctuations, and other international factors.

The travel industry had projected a gradual upswing in overseas travelers, boosted by travel demand by baby boomers; however, the overall number of travelers continued to fall due to the combined effects of increased costs from special fuel surcharges as a result of continuing hikes in crude oil prices, which particularly affected the number of young people and family travelers, and a decline in the number of travelers to China, which had driven growth, as result of concerns about food safety and unrest in Tibet.

According to the Japan National Tourist Organization (JNTO), the (estimated) number of Japanese departing the country from November 2007 through April 2008 fell much more than expected by 4.2% on the previous year to around 8,191,000 people, a decrease of approximately 359,000 people.

Under these conditions, we ensured demand within the Travel Business announcing products for each travel season earlier than usual and strengthening our ability to attract customers.

We aggressively undertook sales promotions to increase the number of passengers, with efforts including campaigns emphasizing price appeal, such as the customary “First Dream Fair” at the beginning of the year, and the Weekend Overseas Vacation Specials, which were introduced to generate travel demand on weekends. In addition, in response to customer anxiety in understanding total prices with continuing hikes in special fuel surcharges, we introduced new travel products showing the final price including all charges, which received high praise from customers.

In Internet business, we strove to improve customer convenience by launching a new online reservation site for departures from the New Chitose Airport and the Sendai Airport in addition to updating the overseas airline ticket Internet site and mobile side.

Organizations were revamped to increase the speed with which management decisions are made and management policies are implemented, to maintain the support of customers, and maintain growth.

As a result of these management policies, we were able to increase the number of passengers at a time when overall demand within the industry was flat. The Travel Business recorded a year-on-year increase in sales for the period of 2.6% to 171,897 million yen, but as these sales fell short of initial projections, operating income declined 11.8% to 3,523 million yen.

In the Hotel Business, demand was firm for hotels both within Australia and Asia, and occupancy rates for hotels on the Gold Coast and in Brisbane continued to be high. In addition, an improvement in unit price per customer made substantial contributions to earnings. As a result, Hotel Business sales increased 33% on the previous first half to 1,406 million yen and operating income increased 45.3% to 203 million yen.

As a result of the foregoing, consolidated net sales for the first half improved 2.8% to JPY 173,282 million, while operating income decreased 13.4% to JPY 2,548 million, ordinary income decreased 18.7% to JPY 2,721 million and net income decreased 21.2% to JPY 1,600 million.

## **(2) Forecasts for the full year**

The outlook of the Japanese economy remains uncertain against crude oil prices and a slowing global economy. We anticipate flat growth in demand for overseas travel as a result of these economic conditions.

Under these conditions, we expect strong interest, particularly among seniors, in summer travel to Europe, whose best season is approaching, and China, which is hosting the Olympics. We expect young people and families, who are sensitive to prices, to show strong interest in Asia and beaches, which are relatively close.

In the Travel Business, we will continue to stress the concept of free travel and aim to raise awareness of our product brands in order to generate demand for overseas travel, particular to destinations that are expected to draw attention. In addition, we are building and expanding our sales channels, such as stores, Internet site, and call center, while augmenting our product lineup and strengthening about ability to obtain seats in order to meet customer needs that are becoming more diversified each year. We continue to make progress in differentiating ourselves from competitors by increasing the consulting capability of each employee and creating a system that makes it possible to propose the best travel.

As Akira Hirabayashi took office as president on April 1, changes were made to the organization; directors were given new responsibilities, and new executive officers were appointed. At a time that the environment both within Japan and overseas is rapidly changing, the group is actively delegating authority and further increasing the speed that management decisions are made and management policies are implemented in order to maintain growth and the support of customers.

In addition, the Group continues to demonstrate a spirit towards challenge reflecting the spirit of a venture company, a value since the foundation of the company. Our goal is to create and develop products that are the first to meet the needs of customers through greater specialization and the recent reorganization. Through the Quality Control & Market Research Room, which was created at the same time, we are further improving quality control of travel products and providing information and developing products that satisfy customers.

•In the arranging travel business, we are differentiating ourselves from competitors and appealing to customers through not only airline ticket prices but also added-value services, such as an expanded overseas support system and the ability to arrange various items. In addition, we are expanding the online reservation

site for rental cars and optional tours, in addition to the airline tickets and the hotels.

- In addition to its core product Ciao, a product that is appealing in terms of price, the Group will expand its lineup of high-added-value products, such as plans that incorporate luxury hotels and unique features, for the recruitment-style planned travel segment. We will also work to respond to individual needs through product planning clearly specifying target customer groups.

- Guided tours, which we have developed centered in Europe, will increase our high-added-value products and independently developed products, raise awareness of our Impreso brand, which targets senior and wealthy travelers, the number of which are expected to grow, and strengthen our ability to capture demand.

- The Group continues to see Internet business and group/corporate sales as important markets and intends to expand sales to these segments, where the most growth is expected. The Internet business is particularly important from the perspective of a channel for marketing and communication as well, so we will further improve this business. Specifically, the Group will work to improve the overall convenience of the home page by strengthening the online reservations site for travel products, developing a community through the use of a blog; and transmitting travel videos, among other things.

We will strive to develop new corporate customers by strengthening our ability to arrange airline tickets, a system we have building up over many years, and appeal based not only on price but also timeliness.

The H.I.S. Group intends to build a stable business base for the Hotel Business by working to ensure profitability through maintaining a high occupancy ratio for the two hotels in Australia currently in operation.

## **2. Financial Position**

### **(1) Interim Assets, Liabilities, and Net Assets**

Total consolidated assets at the end of the interim under review increased by 1,242 million from the end of the previous fiscal year to 102,234 million yen, due mainly to an increase in cash and deposits, which rose by 224 million, and an increase in notes & accounts receivable, which increased by 1,043 million yen.

Liabilities rose 5,754 million yen from the end of the previous fiscal year to 58,367 million yen, due mainly to an increase of 3,098 million in notes and accounts payable, and an increase of 4,356 million yen in foreign exchange contracts.

Net assets decreased by 4,512 million yen as compared with the end of the previous fiscal year to 43,867 million yen, due mainly to a decline of 2,493 million yen in deferred loss on hedges, and a decrease of 1,339 million yen in translation adjustments.

## **(2) Interim Cash Flows**

Consolidated cash and cash equivalents as of the end of the current interim period declined by 3,304 million yen from the end of the previous fiscal year to 35,691 million yen. Cash inflow from operating activities was 2,577 million yen, cash outflow from investment activities was 3,727 million yen, and cash outflow from financing activities was 1,368 million yen.

### **Cash flow from operating activities**

Cash inflow provided by operating activities for the current interim period was 2,577 million. The primary factors behind the increase were 3,542 million yen in notes and accounts payable and the booking of 2,648 million in interim net income before taxes and other adjustments. The primary factors behind the decrease were the increase of travel deposits (an outflow of 1,902 million), and 1,173 million in payment of income taxes.

Cash inflow provided by operating activities for the previous interim period was 1,511 million. The main reasons for this were an increase of 4,683 million in notes and accounts payable and a decline of 2,361 million in payment of income taxes.

Cash inflow from operating activities for the current consolidated interim period therefore rose by 1,065 million yen year-on-year compared with the previous interim period.

### **Cash flow from investing activities**

Cash outflow from investment activities for the current interim period was 3,727 million yen. The main reason for cash inflow was the redemption of 2,246 million yen worth of marketable securities. The main reasons for cash outflow were term deposits (an outflow of 4,459 million yen) and acquisitions of marketable securities and investment securities (an outflow of 2,634 million yen in total).

Cash outflow for investment activities for the previous interim period was 583 million yen. This was mainly due to the redemption of 2,000 million yen worth of corporate debt by Sanko Soflan Co., Inc, acquisitions of investment securities (an outflow of 742 million yen) and a loan to KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., an affiliated company (an outflow of 2,000 million yen).

Cash inflow from investment activities for the current consolidated interim period therefore fell by 3,143 million yen year-on-year, as compared with the previous interim period.

### **Cash flow from financing activities**

Cash outflow from financing activities for the current interim period was 1,368 million, primarily due to purchase of treasury stock (an outflow of 701 million yen) and the payment of dividends (an outflow of 661 million).

Cash outflow for financing activities for the previous consolidated interim period was 671 million yen. This resulted primarily from the payment of dividends for the company (an outflow of 667 million yen).



Cash flow from financing activities for the current consolidated interim period therefore improved by 696 million yen as compared with the previous interim period.

### Recent cash flow indices

|  | 2008 Interim | 2007  | 2006  | 2005  | 2004    |
|--|--------------|-------|-------|-------|---------|
| Equity ratio (%)                       | 42.5         | 47.5  | 47.3  | 50.9  | 43.3    |
| Equity ratio based on market price (%) | 51.4         | 71.5  | 101.0 | 102.1 | 92.1    |
| Debt service coverage (%)              | 4.2          | 3.4   | 2.0   | —     | 2.7     |
| Interest coverage ratio (times)        | 658.6        | 577.7 | 978.9 | —     | 1,235.6 |

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

- \* All indices are calculated from consolidated financial results figures.
- \* Market capitalization = Market price on last trading day of specified period × total shares outstanding at end of period (excluding treasury stock)
- \* Interest-bearing debt is the interest-bearing portion of liabilities recorded on the consolidated balance sheet.
- \* Operating cash flow and Interest paid are from the respective parts of the consolidated statements of cash flows.
- \* Debt service coverage and the interest coverage ratio are not recorded for the fiscal year ending October 31, 2005, as operating cash flow was negative in that period.

### 3. Basic Approach to Allocation of Profits

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

#### **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 interim financial statements (June 20, 2008). Business and other risks are not limited to these risks.

##### **(1) Specific Management Policies Adopted by the Company**

The travel business comprises 99.2% of group sales by segment; sales by region are also concentrated in Japan, at 92.0%. 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 85.9% of group sales, and overseas travel comprised 94.5% 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 59.6% (comprising 43.9% 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 Group Travel Business is subject to stiff competition from various other competitors; Group financial status, operating results, and other factors could be affected if stiffer competition on prices were to occur.

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

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

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

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

**(7) Exchange Rate Fluctuations**

The Group conducts business in foreign currencies and therefore incurs income and expenses as well as assets and liabilities in foreign currencies as a result. 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 consolidated overseas subsidiaries into Japanese Yen when producing the consolidated financial statements. This could affect the Group's financial status, operating results, and other factors should there be fluctuation in exchange rates.

**(8) 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

## IV. Consolidated Financial Statements

### 1. Consolidated Balance Sheets

|  | <i>Millions of yen</i>  |              |                         |              |              |                        |              |
|--|-------------------------|--------------|-------------------------|--------------|--------------|------------------------|--------------|
|  | As of April 30,<br>2008 |              | As of April 30,<br>2007 |              | Change       | As of Oct. 31,<br>2007 |              |
| <b>ASSETS</b>                                  |                         | %            |                         | %            |              |                        | %            |
| <b>Current assets</b>                          |                         |              |                         |              |              |                        |              |
| Cash and deposits.....                         | 41,080                  |              | 36,945                  |              |              | 40,856                 |              |
| Notes & accounts receivable.....               | 5,386                   |              | 6,244                   |              |              | 4,342                  |              |
| Accrued sales receivable.....                  | 10,606                  |              | 9,945                   |              |              | 11,864                 |              |
| Marketable securities.....                     | 1,731                   |              | 3,403                   |              |              | 3,106                  |              |
| Deferred tax assets.....                       | 3,898                   |              | 1,555                   |              |              | 2,181                  |              |
| Travel deposits.....                           | 10,442                  |              | 8,602                   |              |              | 8,586                  |              |
| Pre-paid expenses.....                         | 871                     |              | 754                     |              |              | 835                    |              |
| Short-term loans receivable.....               | 76                      |              | 2,269                   |              |              | 81                     |              |
| Other current assets.....                      | 1,215                   |              | 1,292                   |              |              | 1,321                  |              |
| Allowance for doubtful accounts.....           | (27)                    |              | (113)                   |              |              | (14)                   |              |
| <b>Total current assets.....</b>               | <b>75,280</b>           | <b>73.6</b>  | <b>70,899</b>           | <b>73.6</b>  | <b>4,381</b> | <b>73,160</b>          | <b>72.4</b>  |
| <b>Fixed assets</b>                            |                         |              |                         |              |              |                        |              |
| <b>Tangible fixed assets</b>                   |                         |              |                         |              |              |                        |              |
| Buildings and structures.....                  | 5,169                   |              | 5,063                   |              |              | 5,600                  |              |
| Equipment and fittings.....                    | 777                     |              | 705                     |              |              | 793                    |              |
| Land.....                                      | 1,638                   |              | 1,634                   |              |              | 1,743                  |              |
| Other fixed assets.....                        | 101                     |              | 99                      |              |              | 111                    |              |
| <b>Total tangible fixed assets.....</b>        | <b>7,687</b>            | <b>7.5</b>   | <b>7,502</b>            | <b>7.8</b>   | <b>185</b>   | <b>8,248</b>           | <b>8.2</b>   |
| <b>Intangible fixed assets.....</b>            | <b>1,357</b>            | <b>1.4</b>   | <b>1,461</b>            | <b>1.5</b>   | <b>(103)</b> | <b>1,332</b>           | <b>1.3</b>   |
| <b>Investments and other assets</b>            |                         |              |                         |              |              |                        |              |
| Investments in securities.....                 | 10,002                  |              | 9,082                   |              |              | 10,682                 |              |
| Long-term loans receivable.....                | 1,458                   |              | 990                     |              |              | 1,623                  |              |
| Guarantee deposits.....                        | 4,460                   |              | 4,297                   |              |              | 4,306                  |              |
| Deferred tax assets.....                       | 1,387                   |              | 1,387                   |              |              | 968                    |              |
| Other investments and other assets.....        | 746                     |              | 851                     |              |              | 822                    |              |
| Allowance for doubtful accounts.....           | (147)                   |              | (128)                   |              |              | (153)                  |              |
| <b>Total investments and other assets.....</b> | <b>17,909</b>           | <b>17.5</b>  | <b>16,481</b>           | <b>17.1</b>  | <b>1,427</b> | <b>18,249</b>          | <b>18.1</b>  |
| <b>Total fixed assets.....</b>                 | <b>26,954</b>           | <b>26.4</b>  | <b>25,444</b>           | <b>26.4</b>  | <b>1,509</b> | <b>27,831</b>          | <b>27.6</b>  |
| <b>Total Assets.....</b>                       | <b>102,234</b>          | <b>100.0</b> | <b>96,344</b>           | <b>100.0</b> | <b>5,890</b> | <b>100,992</b>         | <b>100.0</b> |

|  | <i>Millions of yen</i>  |              |                         |              |                |                        |              |
|--|-------------------------|--------------|-------------------------|--------------|----------------|------------------------|--------------|
|  | As of April 30,<br>2008 |              | As of April 30,<br>2007 |              | Change         | As of Oct. 31,<br>2007 |              |
|  |                         | %            |                         | %            |                |                        | %            |
| <b>LIABILITIES</b>   |                         |              |                         |              |                |                        |              |
| <b>Current liabilities</b>   |                         |              |                         |              |                |                        |              |
| Notes & accounts payable.....  | 20,351                  |              | 20,758                  |              |                | 17,252                 |              |
| Short-term borrowings.....   | —                       |              | 24                      |              |                | —                      |              |
| Long-term debt to be repaid within one<br>year.....                    | 167                     |              | 12                      |              |                | 175                    |              |
| Accrued payable.....   | 814                     |              | 688                     |              |                | 884                    |              |
| Accrued expenses.....  | 1,426                   |              | 1,565                   |              |                | 1,504                  |              |
| Accrued income taxes.....  | 886                     |              | 1,158                   |              |                | 1,078                  |              |
| Accrued consumption taxes.....   | 300                     |              | 410                     |              |                | 485                    |              |
| Pre-trip deposits.....   | 22,791                  |              | 20,128                  |              |                | 24,013                 |              |
| Accrued bonuses.....   | 1,682                   |              | 1,721                   |              |                | 1,788                  |              |
| Accrued bonuses for directors.....                                     | 21                      |              | 24                      |              |                | 32                     |              |
| Short-term accrued interest for travel<br>funds.....                   | 4                       |              | 2                       |              |                | 1                      |              |
| Forward exchange contracts.....  | 6,351                   |              | —                       |              |                | 1,995                  |              |
| Other current liabilities.....   | 1,653                   |              | 1,741                   |              |                | 1,568                  |              |
| <b>Total current liabilities.....</b>                                  | <b>56,450</b>           | <b>55.2</b>  | <b>48,236</b>           | <b>50.1</b>  | <b>8,213</b>   | <b>50,780</b>          | <b>50.3</b>  |
| <b>Long-term liabilities</b>   |                         |              |                         |              |                |                        |              |
| Long-term debt.....  | 50                      |              | 170                     |              |                | —                      |              |
| Deferred tax liabilities.....  | 7                       |              | 10                      |              |                | 7                      |              |
| Accrued employees' retirement<br>benefits.....                         | 1,338                   |              | 1,161                   |              |                | 1,274                  |              |
| Accrued directors' and statutory<br>auditors' retirement benefits..... | 404                     |              | 373                     |              |                | 390                    |              |
| Long-term accrued interest for travel<br>funds.....                    | 1                       |              | 0                       |              |                | 1                      |              |
| Other long-term liabilities.....                                       | 114                     |              | 90                      |              |                | 157                    |              |
| <b>Total long-term liabilities.....</b>                                | <b>1,917</b>            | <b>1.9</b>   | <b>1,806</b>            | <b>1.9</b>   | <b>110</b>     | <b>1,832</b>           | <b>1.8</b>   |
| <b>Total liabilities.....</b>  | <b>58,367</b>           | <b>57.1</b>  | <b>50,042</b>           | <b>52.0</b>  | <b>8,324</b>   | <b>52,612</b>          | <b>52.1</b>  |
| <b>NET ASSETS</b>  |                         |              |                         |              |                |                        |              |
| <b>Shareholders' equity</b>  |                         |              |                         |              |                |                        |              |
| Common stock.....  | 6,882                   | 6.7          | 6,882                   | 7.1          | —              | 6,882                  | 6.8          |
| Capital surplus.....   | 7,782                   | 7.6          | 7,782                   | 8.1          | 0              | 7,782                  | 7.7          |
| Retained earnings.....   | 34,058                  | 33.3         | 30,894                  | 32.1         | 3,164          | 33,391                 | 33.1         |
| Treasury stock.....  | (2,261)                 | (2.2)        | (861)                   | (0.9)        | (1,399)        | (1,563)                | (1.6)        |
| <b>Total Shareholders' equity.....</b>                                 | <b>46,462</b>           | <b>45.4</b>  | <b>44,697</b>           | <b>46.4</b>  | <b>1,765</b>   | <b>46,493</b>          | <b>46.0</b>  |
| <b>Appraisal and Translation Differences</b>                           |                         |              |                         |              |                |                        |              |
| Unrealized holding losses on<br>securities.....                        | (1,033)                 | (1.0)        | (1,126)                 | (1.2)        | 92             | (405)                  | (0.4)        |
| Deferred gain/loss on hedges.....                                      | (3,676)                 | (3.6)        | (105)                   | (0.1)        | (3,570)        | (1,183)                | (1.2)        |
| Translation adjustments.....   | 1,724                   | 1.7          | 2,434                   | 2.5          | (710)          | 3,063                  | 3.1          |
| <b>Total Appraisal and Translation<br/>Differences.....</b>            | <b>(2,986)</b>          | <b>(2.9)</b> | <b>1,202</b>            | <b>1.2</b>   | <b>(4,188)</b> | <b>1,475</b>           | <b>1.5</b>   |
| <b>Minority interests</b>  | <b>390</b>              | <b>0.4</b>   | <b>401</b>              | <b>0.4</b>   | <b>(10)</b>    | <b>410</b>             | <b>0.4</b>   |
| <b>Total net assets.....</b>   | <b>43,867</b>           | <b>42.9</b>  | <b>46,301</b>           | <b>48.0</b>  | <b>(2,433)</b> | <b>48,379</b>          | <b>47.9</b>  |
| <b>Total Liabilities and Net Assets.....</b>                           | <b>102,234</b>          | <b>100.0</b> | <b>96,344</b>           | <b>100.0</b> | <b>5,890</b>   | <b>100,992</b>         | <b>100.0</b> |

## 2. Consolidated Statements of Income

|  | <i>Millions of yen</i>                 |            |  |            |              |                              |            |       |
|--|--|------------|--|------------|--------------|------------------------------|------------|-------|
|  | Interim period ended<br>April 30, 2008 |            | Interim period ended<br>April 30, 2007 |            | Change       | FY ended October<br>31, 2007 |            |       |
| Net sales .....                                      | 173,282                                | 100.0      | 168,621                                | 100.0      |              | 4,661                        | 362,084    | 100.0 |
| Cost of sales .....                                  | 148,202                                | 85.5       | 144,129                                | 85.5       | 4,073        | 310,647                      | 85.8       |       |
| Gross profit.....                                    | 25,079                                 | 14.5       | 24,492                                 | 14.5       | 587          | 51,436                       | 14.2       |       |
| Selling, general and administrative<br>expenses..... | 22,531                                 | 13.0       | 21,549                                 | 12.7       | 981          | 45,074                       | 12.5       |       |
| <b>Operating income .....</b>                        | <b>2,548</b>                           | <b>1.5</b> | <b>2,942</b>                           | <b>1.8</b> | <b>(394)</b> | <b>6,362</b>                 | <b>1.7</b> |       |
| <b>Non-operating income</b>                          |  |            |  |            |              |                              |            |       |
| Interest income .....                                | 353                                    |            | 272                                    |            |              | 597                          |            |       |
| Foreign exchange gains.....                          | —                                      |            | 13                                     |            |              | 174                          |            |       |
| Income from equity-accounted<br>affiliates .....     | 98                                     |            | 206                                    |            |              | 339                          |            |       |
| Others .....   | 124                                    |            | 54                                     |            |              | 163                          |            |       |
| <b>Total non-operating income ..</b>                 | <b>576</b>                             | <b>0.3</b> | <b>546</b>                             | <b>0.3</b> | <b>29</b>    | <b>1,274</b>                 | <b>0.4</b> |       |
| <b>Non-operating expenses</b>                        |  |            |  |            |              |                              |            |       |
| Interest expense .....                               | 3                                      |            | 5                                      |            |              | 8                            |            |       |
| Foreign exchange losses .....                        | 352                                    |            | —                                      |            |              | —                            |            |       |
| Loss on partnership investment .....                 | 4                                      |            | —                                      |            |              | 35                           |            |       |
| Addition to allowance for bad<br>debts .....         | —                                      |            | 85                                     |            |              | 53                           |            |       |
| Others .....   | 42                                     |            | 51                                     |            |              | 28                           |            |       |
| <b>Total non-operating expenses ....</b>             | <b>402</b>                             | <b>0.2</b> | <b>141</b>                             | <b>0.1</b> | <b>261</b>   | <b>126</b>                   | <b>0.0</b> |       |
| <b>Ordinary income .....</b>                         | <b>2,721</b>                           | <b>1.6</b> | <b>3,347</b>                           | <b>2.0</b> | <b>(625)</b> | <b>7,510</b>                 | <b>2.1</b> |       |
| <b>Extraordinary gains</b>                           |  |            |  |            |              |                              |            |       |
| Gain on sale of fixed assets .....                   | 1                                      |            | 2                                      |            |              | 5                            |            |       |
| Gain on sale of investment<br>securities .....       | 23                                     |            | 19                                     |            |              | 51                           |            |       |
| Refunded foreign tax.....                            | 12                                     |            | —                                      |            |              | 179                          |            |       |
| Others .....   | 7                                      |            | 1                                      |            |              | 17                           |            |       |
| <b>Total extraordinary gains .....</b>               | <b>44</b>                              | <b>0.0</b> | <b>23</b>                              | <b>0.0</b> | <b>21</b>    | <b>253</b>                   | <b>0.1</b> |       |
| <b>Extraordinary losses</b>                          |  |            |  |            |              |                              |            |       |
| Loss on disposal of fixed assets .....               | 19                                     |            | 27                                     |            |              | 58                           |            |       |
| Loss on sale of fixed assets .....                   | 2                                      |            | 2                                      |            |              | 2                            |            |       |
| Loss on valuation on investment<br>securities .....  | 17                                     |            | —                                      |            |              | —                            |            |       |
| Penalty for cancellation.....                        | 19                                     |            | —                                      |            |              | —                            |            |       |
| Loss on prior period adjustment.....                 | 56                                     |            | 5                                      |            |              | 5                            |            |       |
| Others .....   | 3                                      |            | 4                                      |            |              | 190                          |            |       |
| <b>Total extraordinary losses .....</b>              | <b>117</b>                             | <b>0.1</b> | <b>40</b>                              | <b>0.0</b> | <b>77</b>    | <b>257</b>                   | <b>0.1</b> |       |
| Net income before income taxes.....                  | 2,648                                  | 1.5        | 3,330                                  | 2.0        | (681)        | 7,507                        | 2.1        |       |
| Income taxes - current.....                          | 1,010                                  |            | 1,272                                  |            |              | 2,905                        |            |       |
| Income taxes - deferred .....                        | —                                      |            | —                                      |            |              | 41                           |            |       |
| Total taxes .....                                    | 1,010                                  | 0.6        | 1,272                                  | 0.8        | (261)        | 2,947                        | 0.8        |       |
| Minority interests .....                             | 38                                     | 0.0        | 27                                     | 0.0        | 10           | 37                           | 0.0        |       |
| <b>Net income .....</b>                              | <b>1,600</b>                           | <b>0.9</b> | <b>2,030</b>                           | <b>1.2</b> | <b>(430)</b> | <b>4,521</b>                 | <b>1.3</b> |       |

### 3. Consolidated Statements of Changes to Shareholders' Equity

**Current Interim Period (November 1, 2007 to April 30, 2008)**

(millions of yen)

|   | Shareholders' Equity |                 |                |                |                            |
|---|----------------------|-----------------|----------------|----------------|----------------------------|
|   | Common stock         | Capital surplus | Earned surplus | Treasury stock | Total shareholders' equity |
| Balance as of October 31, 2007                                      | 6,882                | 7,782           | 33,391         | (1,563)        | 46,493                     |
| Changes in the interim period                                       |                      |                 |                |                |                            |
| Dividends   |                      |                 | (661)          |                | (661)                      |
| Net income  |                      |                 | 1,600          |                | 1,600                      |
| Decrease due to increase in number of consolidated subsidiaries     |                      |                 | (271)          |                | (271)                      |
| Acquisition of treasury stock                                       |                      |                 |                | (697)          | (697)                      |
| Sale of treasury stock  |                      | 0               |                | 0              | 0                          |
| Changes other than shareholders' equity in the interim period (net) |                      |                 |                |                | —                          |
| Total change in the interim period                                  | —                    | 0               | 666            | (697)          | (30)                       |
| Balance as of April 30, 2008  | 6,882                | 7,782           | 34,058         | (2,261)        | 46,462                     |

|   | Appraisal and Translation Differences   |                              |                         |   | Minority interests | Total net assets |
|---|---|------------------------------|-------------------------|---|--------------------|------------------|
|   | Unrealized holding losses on securities | Deferred gain/loss on hedges | Translation adjustments | Total appraisal and translation differences |                    |                  |
| Balance as of October 31, 2007                                      | (405)                                   | (1,183)                      | 3,063                   | 1,475                                       | 410                | 48,379           |
| Changes in the interim period                                       |   |                              |                         |   |                    |                  |
| Dividends   |   |                              |                         | —   |                    | (661)            |
| Net income  |   |                              |                         | —   |                    | 1,600            |
| Decrease due to increase in number of consolidated subsidiaries     |   |                              |                         | —   |                    | (271)            |
| Acquisition of treasury stock                                       |   |                              |                         | —   |                    | (697)            |
| Sale of treasury stock  |   |                              |                         | —   |                    | 0                |
| Changes other than shareholders' equity in the interim period (net) | (628)                                   | (2,493)                      | (1,339)                 | (4,461)                                     | (20)               | (4,481)          |
| Total change in the interim period                                  | (628)                                   | (2,493)                      | (1,339)                 | (4,461)                                     | (20)               | (4,512)          |
| Balance as of April 30, 2008  | (1,033)                                 | (3,676)                      | 1,724                   | (2,986)                                     | 390                | 43,867           |

#### 4. Consolidated sales by segment

##### (1) Net sales and operating income by business

(millions of yen)

|                              | Current interim ended<br>April 30, 2008 |       |                     | Previous interim ended<br>April 30, 2007 |       |                     | Net<br>sales<br>change | Operating<br>income<br>change |
|------------------------------|---|-------|---------------------|--|-------|---------------------|------------------------|-------------------------------|
|                              | Net sales                               |       | Operating<br>income | Net sales                                |       | Operating<br>income |                        |                               |
|                              | Amount                                  | %     | Amount              | Amount                                   | %     | Amount              | %                      | %                             |
| Travel business              | 171,897                                 | 99.2  | 3,523               | 167,580                                  | 99.4  | 3,995               | 2.6                    | (11.8)                        |
| Hotel business               | 1,406                                   | 0.8   | 203                 | 1,057                                    | 0.6   | 140                 | 33.0                   | 45.3                          |
| Other businesses             | 13                                      | 0.0   | 12                  | 12                                       | 0.0   | 12                  | 3.1                    | 2.8                           |
| Total                        | 173,317                                 | 100.0 | 3,740               | 168,651                                  | 100.0 | 4,147               | 2.8                    | (9.8)                         |
| Elimination and<br>corporate | (34)                                    | (0.0) | (1,192)             | (29)                                     | (0.0) | (1,205)             | —                      | —                             |
| Consolidated                 | 173,282                                 | 100.0 | 2,548               | 168,621                                  | 100.0 | 2,942               | 2.8                    | (13.4)                        |

##### Changes in Accounting Policies

The company has adopted the average exchange rate on the day that the books are closed for the first half, to translate the incomes and expenses of overseas subsidiaries, from the current interim period. Previously the incomes and expenses of subsidiaries were translated using the spot exchange rate during the period. In travel business, this change resulted in a 1,657 million yen increase in net sales and 73 million yen increase in operating income. In hotel business, net sales rose by 60 million yen and operating income increased by 8 million yen.

##### (2) Net sales and operating income by geographic area

(millions of yen)

|                              | Current interim ended<br>April 30, 2008 |       |                     | Previous interim ended<br>April 30, 2007 |       |                     | Net<br>sales<br>change | Operating<br>income<br>change |
|------------------------------|---|-------|---------------------|--|-------|---------------------|------------------------|-------------------------------|
|                              | Net sales                               |       | Operating<br>income | Net sales                                |       | Operating<br>income |                        |                               |
|                              | Amount                                  | %     | Amount              | Amount                                   | %     | Amount              | %                      | %                             |
| Japan                        | 159,319                                 | 92.0  | 2,251               | 155,302                                  | 92.1  | 3,136               | 2.6                    | (28.2)                        |
| America                      | 12,005                                  | 6.9   | 388                 | 11,762                                   | 7.0   | 361                 | 2.1                    | 7.6                           |
| Asia and<br>Oceania          | 12,364                                  | 7.1   | 965                 | 11,451                                   | 6.8   | 528                 | 8.0                    | 82.7                          |
| Europe                       | 5,104                                   | 3.0   | 135                 | 5,076                                    | 3.0   | 121                 | 0.6                    | 11.3                          |
| Total                        | 188,793                                 | 109.0 | 3,740               | 183,592                                  | 108.9 | 4,147               | 2.8                    | (9.8)                         |
| Elimination and<br>corporate | (15,511)                                | (9.0) | (1,192)             | (14,971)                                 | (8.9) | (1,205)             | —                      | —                             |
| Consolidated                 | 173,282                                 | 100.0 | 2,548               | 168,621                                  | 100.0 | 2,942               | 2.8                    | (13.4)                        |

##### Changes in Accounting Policies

The company has adopted the average exchange rate on the day that the books are closed for the first half, to translate the incomes and expenses of overseas subsidiaries, from the current interim period. Previously the incomes and expenses of subsidiaries were translated using the spot exchange rate during the period. In America, this change resulted in a 724 million yen increase in net sales and 23 million yen increase in operating income. In Asia and Oceania, net sales rose by 724 million yen and operating income increased by 55 million yen. In Europe, net sales rose by 272 million yen and operating income increased by 3 million yen.



## V. Non-consolidated Financial Statements

### 1. Non-consolidated Balance Sheets

|   | Millions of yen         |              |                         |              |              |                        |              |
|---|-------------------------|--------------|-------------------------|--------------|--------------|------------------------|--------------|
|   | As of April 30,<br>2008 |              | As of April 30,<br>2007 |              | Change       | As of Oct. 31,<br>2007 |              |
|   |                         | %            |                         | %            |              |                        | %            |
| <b>ASSETS</b>                                   |                         |              |                         |              |              |                        |              |
| <b>Current assets</b>                           |                         |              |                         |              |              |                        |              |
| Cash and deposits.....                          | 29,923                  |              | 26,586                  |              |              | 29,632                 |              |
| Notes & accounts receivable .....               | 3,748                   |              | 4,590                   |              |              | 3,434                  |              |
| Accrued sales receivable.....                   | 9,416                   |              | 8,799                   |              |              | 10,452                 |              |
| Marketable securities.....                      | 1,697                   |              | 3,403                   |              |              | 3,025                  |              |
| Travel deposits .....                           | 9,716                   |              | 7,958                   |              |              | 7,756                  |              |
| Pre-paid expenses.....                          | 688                     |              | 619                     |              |              | 666                    |              |
| Deferred tax assets .....                       | 3,876                   |              | 1,538                   |              |              | 2,162                  |              |
| Short-term loans to affiliates.....             | 314                     |              | 2,452                   |              |              | 274                    |              |
| Accrued revenue .....                           | 1,043                   |              | 846                     |              |              | 1,265                  |              |
| Other current assets .....                      | 1,021                   |              | 1,327                   |              |              | 1,174                  |              |
| Allowance for doubtful accounts.....            | (50)                    |              | (147)                   |              |              | (38)                   |              |
| <b>Total current assets.....</b>                | <b>61,395</b>           | <b>67.5</b>  | <b>57,974</b>           | <b>67.7</b>  | <b>3,420</b> | <b>59,805</b>          | <b>67.1</b>  |
| <b>Fixed assets</b>                             |                         |              |                         |              |              |                        |              |
| <b>Tangible fixed assets</b>                    |                         |              |                         |              |              |                        |              |
| Buildings and structures .....                  | 851                     |              | 664                     |              |              | 827                    |              |
| Vehicles.....                                   | 1                       |              | 2                       |              |              | 1                      |              |
| Equipment and fittings .....                    | 530                     |              | 457                     |              |              | 542                    |              |
| Land .....                                      | 235                     |              | 235                     |              |              | 235                    |              |
| <b>Total tangible fixed assets .....</b>        | <b>1,618</b>            | <b>1.8</b>   | <b>1,359</b>            | <b>1.6</b>   | <b>258</b>   | <b>1,607</b>           | <b>1.8</b>   |
| <b>Intangible fixed assets .....</b>            | <b>1,031</b>            | <b>1.1</b>   | <b>1,332</b>            | <b>1.6</b>   | <b>(301)</b> | <b>1,017</b>           | <b>1.1</b>   |
| <b>Investments and other assets</b>             |                         |              |                         |              |              |                        |              |
| Investments in securities .....                 | 7,899                   |              | 6,743                   |              |              | 8,431                  |              |
| Shares in affiliates .....                      | 11,176                  |              | 11,415                  |              |              | 11,167                 |              |
| Investments in affiliates .....                 | 313                     |              | 317                     |              |              | 317                    |              |
| Long-term loans receivable .....                | 312                     |              | 391                     |              |              | 374                    |              |
| Long-term loans to affiliates .....             | 1,467                   |              | 500                     |              |              | 1,259                  |              |
| Deferred tax assets .....                       | 1,325                   |              | 1,341                   |              |              | 907                    |              |
| Guarantee deposits .....                        | 3,928                   |              | 3,703                   |              |              | 3,782                  |              |
| Other investments and other assets.....         | 519                     |              | 533                     |              |              | 522                    |              |
| Allowance for doubtful accounts.....            | (81)                    |              | (40)                    |              |              | (74)                   |              |
| <b>Total investments and other assets .....</b> | <b>26,860</b>           | <b>29.6</b>  | <b>24,905</b>           | <b>29.1</b>  | <b>1,954</b> | <b>26,687</b>          | <b>30.0</b>  |
| <b>Total fixed assets .....</b>                 | <b>29,510</b>           | <b>32.5</b>  | <b>27,598</b>           | <b>32.3</b>  | <b>1,912</b> | <b>29,312</b>          | <b>32.9</b>  |
| <b>Total Assets .....</b>                       | <b>90,905</b>           | <b>100.0</b> | <b>85,572</b>           | <b>100.0</b> | <b>5,333</b> | <b>89,117</b>          | <b>100.0</b> |

|  | Millions of yen         |              |                         |              |                |                        |              |
|--|-------------------------|--------------|-------------------------|--------------|----------------|------------------------|--------------|
|  | As of April 30,<br>2008 | %            | As of April 30,<br>2007 | %            | Change         | As of Oct. 31,<br>2007 | %            |
| <b>LIABILITIES</b>   |                         |              |                         |              |                |                        |              |
| <b>Current liabilities</b>   |                         |              |                         |              |                |                        |              |
| Notes and accounts payable .....                                       | 17,071                  |              | 17,090                  |              |                | 14,089                 |              |
| Accrued payable.....   | 773                     |              | 698                     |              |                | 820                    |              |
| Accrued expenses.....  | 1,121                   |              | 1,249                   |              |                | 1,061                  |              |
| Accrued income taxes .....   | 599                     |              | 950                     |              |                | 881                    |              |
| Accrued consumption taxes .....  | 200                     |              | 302                     |              |                | 384                    |              |
| Pre-trip deposits .....  | 20,988                  |              | 18,608                  |              |                | 22,207                 |              |
| Insurance deposits .....   | 304                     |              | 328                     |              |                | 349                    |              |
| Accrued bonuses.....   | 1,599                   |              | 1,677                   |              |                | 1,682                  |              |
| Accrued directors' and statutory<br>auditors' bonuses .....            | 13                      |              | 16                      |              |                | 22                     |              |
| Short-term accrued interest for travel<br>funds.....                   | 4                       |              | 2                       |              |                | 1                      |              |
| Forward exchange contracts .....                                       | 6,202                   |              | —                       |              |                | 1,995                  |              |
| Other current liabilities.....   | 1,238                   |              | 1,334                   |              |                | 1,112                  |              |
| <b>Total current liabilities.....</b>                                  | <b>50,163</b>           | <b>55.2</b>  | <b>42,258</b>           | <b>49.4</b>  | <b>7,905</b>   | <b>44,608</b>          | <b>50.1</b>  |
| <b>Long-term liabilities</b>   |                         |              |                         |              |                |                        |              |
| Accrued employees' retirement benefits.                                | 1,188                   |              | 1,017                   |              |                | 1,121                  |              |
| Accrued directors' and statutory<br>auditors' retirement benefits..... | 382                     |              | 353                     |              |                | 369                    |              |
| Long-term accrued interest for travel<br>funds.....                    | 1                       |              | 0                       |              |                | 1                      |              |
| Guarantee deposits .....   | 40                      |              | 40                      |              |                | 40                     |              |
| Other long-term liabilities.....                                       | 55                      |              | 28                      |              |                | 97                     |              |
| <b>Total long-term liabilities.....</b>                                | <b>1,668</b>            | <b>1.8</b>   | <b>1,440</b>            | <b>1.7</b>   | <b>227</b>     | <b>1,631</b>           | <b>1.8</b>   |
| <b>Total liabilities.....</b>  | <b>51,832</b>           | <b>57.0</b>  | <b>43,699</b>           | <b>51.1</b>  | <b>8,133</b>   | <b>46,239</b>          | <b>51.9</b>  |
| <b>NET ASSETS</b>  |                         |              |                         |              |                |                        |              |
| <b>Shareholders' equity</b>  |                         |              |                         |              |                |                        |              |
| Common stock.....  | 6,882                   | 7.6          | 6,882                   | 8.0          | —              | 6,882                  | 7.7          |
| <b>Capital surplus</b>   |                         |              |                         |              |                |                        |              |
| Capital reserve .....  | 7,778                   |              | 7,778                   |              |                | 7,778                  |              |
| Other capital surplus.....   | 3                       |              | 3                       |              |                | 3                      |              |
| <b>Total capital surplus .....</b>                                     | <b>7,782</b>            | <b>8.6</b>   | <b>7,782</b>            | <b>9.1</b>   | <b>0</b>       | <b>7,782</b>           | <b>8.7</b>   |
| <b>Retained earnings</b>   |                         |              |                         |              |                |                        |              |
| Earned reserve.....  | 246                     |              | 246                     |              |                | 246                    |              |
| <b>Contingent reserve</b>  |                         |              |                         |              |                |                        |              |
| Other reserve .....  | 27,565                  |              | 25,565                  |              |                | 25,565                 |              |
| Reserve for special depreciation.....                                  | —                       |              | 1                       |              |                | —                      |              |
| Retained earnings brought forward..                                    | 3,556                   |              | 3,494                   |              |                | 5,555                  |              |
| <b>Total retained earnings .....</b>                                   | <b>31,367</b>           | <b>34.5</b>  | <b>29,306</b>           | <b>34.2</b>  | <b>2,060</b>   | <b>31,366</b>          | <b>35.2</b>  |
| Treasury stock.....  | (2,261)                 | (2.5)        | (861)                   | (1.0)        | (1,399)        | (1,563)                | (1.7)        |
| <b>Total Shareholders' equity</b>                                      | <b>43,771</b>           | <b>48.2</b>  | <b>43,110</b>           | <b>50.3</b>  | <b>660</b>     | <b>44,467</b>          | <b>49.9</b>  |
| <b>Appraisal and translation differences</b>                           |                         |              |                         |              |                |                        |              |
| Unrealized holding losses on securities                                | (1,020)                 | (1.1)        | (1,130)                 | (1.3)        | 110            | (407)                  | (0.5)        |
| Deferred gain/loss on hedges.....                                      | (3,676)                 | (4.1)        | (105)                   | (0.1)        | (3,570)        | (1,183)                | (1.3)        |
| <b>Total appraisal and translation differences</b>                     | <b>(4,697)</b>          | <b>(5.2)</b> | <b>(1,236)</b>          | <b>(1.4)</b> | <b>(3,460)</b> | <b>(1,590)</b>         | <b>(1.8)</b> |
| <b>Total net assets.....</b>   | <b>39,073</b>           | <b>43.0</b>  | <b>41,873</b>           | <b>48.9</b>  | <b>(2,799)</b> | <b>42,877</b>          | <b>48.1</b>  |
| <b>Total Liabilities and Net Assets.....</b>                           | <b>90,905</b>           | <b>100.0</b> | <b>85,572</b>           | <b>100.0</b> | <b>5,333</b>   | <b>89,117</b>          | <b>100.0</b> |

## 2. Non-consolidated Statements of Income

|   | <i>Millions of yen</i>                 |            |  |            |              |                              |            |
|---|--|------------|--|------------|--------------|------------------------------|------------|
|   | Interim period ended<br>April 30, 2008 |            | Interim period ended<br>April 30, 2007 |            | Change       | FY ended<br>October 31, 2007 |            |
| Net sales .....                                       | 148,837                                | 100.0      | 144,849                                | 100.0      | 3,988        | 317,546                      | 100.0      |
| Cost of sales .....                                   | 130,084                                | 87.4       | 126,053                                | 87.0       | 4,031        | 277,537                      | 87.4       |
| Gross profit.....                                     | 18,753                                 | 12.6       | 18,795                                 | 13.0       | (42)         | 40,009                       | 12.6       |
| Selling, general and administrative<br>expenses ..... | 17,530                                 | 11.8       | 16,899                                 | 11.7       | 630          | 35,299                       | 11.1       |
| <b>Operating income .....</b>                         | <b>1,222</b>                           | <b>0.8</b> | <b>1,895</b>                           | <b>1.3</b> | <b>(673)</b> | <b>4,709</b>                 | <b>1.5</b> |
| Non-operating income                                  | 344                                    | 0.2        | 231                                    | 0.2        | 112          | 751                          | 0.2        |
| Non-operating expenses                                | 336                                    | 0.2        | 115                                    | 0.1        | 221          | 94                           | 0.0        |
| Ordinary income .....                                 | 1,230                                  | 0.8        | 2,012                                  | 1.4        | (782)        | 5,366                        | 1.7        |
| Extraordinary gains                                   | 34                                     | 0.0        | 18                                     | 0.0        | 15           | 227                          | 0.0        |
| Extraordinary losses                                  | 36                                     | 0.0        | 30                                     | 0.0        | 5            | 78                           | 0.0        |
| <b>Net income before income taxes .</b>               | <b>1,228</b>                           | <b>0.8</b> | <b>2,000</b>                           | <b>1.4</b> | <b>(772)</b> | <b>5,515</b>                 | <b>1.7</b> |
| Income taxes - current.....                           | 566                                    |            | 879                                    |            |              | 2,282                        |            |
| Income taxes - deferred .....                         | —                                      |            | —                                      |            |              | 53                           |            |
| Total taxes .....                                     | 566                                    | 0.4        | 879                                    | 0.6        | (313)        | 2,335                        | 0.7        |
| <b>Net income .....</b>                               | <b>662</b>                             | <b>0.4</b> | <b>1,120</b>                           | <b>0.8</b> | <b>(458)</b> | <b>3,179</b>                 | <b>1.0</b> |

### 3. Statements of Changes to Shareholders' Equity

Current interim (November 1, 2007 – April 30, 2008)

(millions of yen)

|   | Shareholders' Equity |                 |                       |                       |                |                    |                                   |                         |                |                            |
|---|----------------------|-----------------|-----------------------|-----------------------|----------------|--------------------|-----------------------------------|-------------------------|----------------|----------------------------|
|   | Common stock         | Capital surplus |                       |                       | Earned reserve | Retained earnings  |                                   |                         | Treasury stock | Total Shareholders' equity |
|   |                      | Capital reserve | Other capital surplus | Total capital surplus |                | Contingent reserve |                                   | Total retained earnings |                |                            |
|   |                      |                 |                       |                       |                | Other reserve      | Retained earnings brought forward |                         |                |                            |
| Balance as of October 31, 2007                                      | 6,882                | 7,778           | 3                     | 7,782                 | 246            | 25,565             | 5,555                             | 31,366                  | (1,563)        | 44,467                     |
| Changes in the interim period                                       |                      |                 |                       |                       |                |                    |                                   |                         |                |                            |
| Dividends   |                      |                 |                       | —                     |                |                    | (661)                             | (661)                   |                | (661)                      |
| Funded reserve  |                      |                 |                       | —                     |                | 2,000              | (2,000)                           | —                       |                | —                          |
| Net income  |                      |                 |                       | —                     |                |                    | 662                               | 662                     |                | 662                        |
| Acquisition of treasury stock                                       |                      |                 |                       | —                     |                |                    |                                   | —                       | (697)          | (697)                      |
| Sale of treasury stock  |                      |                 | 0                     | 0                     |                |                    |                                   | —                       | 0              | 0                          |
| Changes other than shareholders' equity in the interim period (net) |                      |                 |                       | —                     |                |                    |                                   | —                       |                | —                          |
| Total change in the interim period                                  | —                    | —               | 0                     | 0                     | —              | 2,000              | (1,998)                           | 1                       | (697)          | (696)                      |
| Balance as of April 30, 2008  | 6,882                | 7,778           | 3                     | 7,782                 | 246            | 27,565             | 3,556                             | 31,367                  | (2,261)        | 43,771                     |

|   | Appraisal and Translation Differences   |                               |   | Total Net Assets |
|---|---|-------------------------------|---|------------------|
|   | Unrealized holding losses on securities | Deferred gain/ loss on hedges | Total appraisal and translation differences |                  |
| Balance as of October 31, 2007                                      | (407)                                   | (1,183)                       | (1,590)                                     | 42,877           |
| Changes in the interim period                                       |   |                               |   |                  |
| Dividends   |   |                               | —   | (661)            |
| Funded reserve  |   |                               | —   | —                |
| Net income  |   |                               | —   | 662              |
| Acquisition of treasury stock                                       |   |                               | —   | (697)            |
| Sale of treasury stock  |   |                               | —   | 0                |
| Changes other than shareholders' equity in the interim period (net) | (613)                                   | (2,493)                       | (3,106)                                     | (3,106)          |
| Total change in the interim period                                  | (613)                                   | (2,493)                       | (3,106)                                     | (3,803)          |
| Balance as of April 30, 2008  | (1,020)                                 | (3,676)                       | (4,697)                                     | 39,073           |