



Consolidated Financial Results

For the First Half Ended April 30, 2011

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, 2011

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

Exchange Listed:	Tokyo Stock Exchange, 1 st section
Principal Office:	Tokyo, Japan
Homepage:	http://www.his.co.jp
Representative Director, President:	Akira Hirabayashi
Contact:	Narimoto Kusahara, Managing Director
Telephone:	+81-3-5908-2070
Scheduled date of filing interim report:	June 10, 2011

1. Consolidated Financial Results (November 1, 2010 – April 30, 2011)

(1) Consolidated Operating Results

	<i>Millions of Yen</i>			
	First Half Ended Apr 30,			
	2011	%	2010	%
Net Sales.....	175,923	14.1	154,151	(7.3)
Operating Income.....	3,415	44.6	2,362	(42.6)
Ordinary Income.....	4,343	117.7	1,994	(46.0)
Net Income	4,571	146.0	1,857	(20.9)
Net Income per Share (yen).....	140.97		57.30	
Net Income per Share, Diluted (yen).....	—		—	

(2) Consolidated Financial Position

	<i>Millions of Yen</i>	
	As of Apr 30, 2011	As of Oct 31, 2010
Total Assets	119,643	120,555
Net Assets	60,876	57,484
Shareholders' Equity Ratio.....	49.0%	46.0%
Net Assets per Share (yen).....	1,807.61	1,709.44

2. Dividends

	FY Ended Oct 31,		
	2010	2011	2011 (Forecast)
Dividends per Share			
Interim (yen)	0.00	0.00	
End of Term (yen)	24.00		24.00
Annual Dividends (yen)	24.00		24.00

3. Consolidated Forecast for the Fiscal Year Ended October 31, 2011

	<i>Millions of Yen</i>	
	FY Ended Oct 31, 2011	
Net Sales	409,000	17.5%
Operating income.....	7,400	17.9%
Ordinary Income	9,000	79.3%
Net Income	7,000	106.8%
Net Income per Share (yen).....	215.87	

4. Additional Notes

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

(2) Application of simplified accounting treatment and unique accounting treatment in preparing quarterly consolidated financial statements: Yes

(3) 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):	No

(4) Number of shares issued (common shares)

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

As of Apr 30, 2011	34,261,468 shares
As of Oct 31, 2010	34,261,468 shares

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

As of Apr 30, 2011	1,834,058 shares
As of Oct 31, 2010	1,833,792 shares

(iii) Average number of shares during the period

As of Apr 30, 2011	32,427,529 shares
As of Apr 30, 2010	32,427,842 shares

Note on the status of audit procedures:

This summary of financial statements is exempt from the audit procedures based on "Financial Instruments and Exchange Act", while the consolidated financial statements have been reviewed at the time of disclosure of this report.

Notes:

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

Overview of consolidated results for the fiscal period

Although there were signs of a recovery in the Japanese economy in the period from November 1, 2010, to April 30, 2011, conditions remained difficult as indicated by the high unemployment rate. In addition, since the Great East Japan Earthquake on March 11, the outlook for the business environment has become increasingly unclear, such as concerns business production activity could stall.

Within the travel industry, demand for overseas travel has been on an uptrend, supported by the expansion of international routes from Haneda Airport in October 2010 and the continuing rise in the yen. However, according to the Japan National Tourist Organization (JNTO), the (estimated) number of Japanese departing the country from November 2010 through April 2011 is expected to have fallen by 0.4% on the previous year to around 7,855,000 people, a decrease of approximately 35,000 people due to the Great East Japan Earthquake.

Amid this business environment, the Group undertook various measures, working to improve the safety, security, and quality of products in the core travel segment.

Travel business

- As for initiatives in the area of online travel sales, the company's homepage underwent a complete renewal in December 2010. The aim of the renewal was to further improve the usability of the site by analyzing the opinions of customers that have used it in the past. In response to the non-Japanese market, a new Chinese website for online hotel reservations worldwide called "Qu-Dujia"(Going for Vacation) was launched in November 2010. Users of the site can choose to make payment by Alipay, China's largest domestic online settlement service, or credit card, making the reservation even easier for Chinese customers. The Group also focused on improving the convenience of making reservations for domestic accommodations, such as enhancing the "Domestic hotels" search site, which is jointly operated by the 3 leading companies of major hotel websites, and newly opening a mobile search site (February 2011). The automatic reservation and information service functions for smartphones were also enhanced and online travel sales were strong in general.

- In corporate and group travel, an area the Group is strengthening, the active development of business continued, including the relocation and expansion of branches specializing in the handling of the travel needs of government offices, the opening of new branches for corporate customers (in Shinagawa, Tokyo, and Tsukuba, Ibaraki Prefecture), and the renovation of branches (Okayama Prefecture). A dedicated reservation system for corporate customers also went into full operation in December 2010. These measures steadily increased the handling of corporate and group travel business. However, corporate

travel and group tours were the most affected by the earthquake, as corporate customers cut back on business trips, but demand has been recovering in the second half of the fiscal year.

- As for sales channels, the Group instituted a review of its sales system to enable business to be conducted efficiently, including the continued reconfiguration of branches and the absorption/merger of travel subsidiaries and the transfer of specialized departments to subsidiaries. In addition, it also re-evaluated its product distribution system and further strengthened its sales system by opening a new Avanti & Oasis branch in Ikebukuro, Tokyo that deals specifically in overseas weddings, a business that requires detailed consultations, and a branch that operates 24 hours a day in Shinjuku, Tokyo to satisfy customer needs.

- As for product development, the Group worked to generate travel demand by focusing on the creation and sales of new overseas travel products that make use of Haneda Airport's international routes and low-cost carriers that have recently entered into service. The Group also moved forward with various efforts to enable it to provide unique travel products, such as package tours using Business Air for exclusive sales of airline tickets, an airline specializing in Thai charter flights that began service from March this year.

- Turning to business expansion overseas, the Group continued to expand its sales network, opening a branch in Sao Paulo, Brazil, in April, the first branch in South America. The Group also strengthened direct sales from overseas branches, selling optional tours via the Internet to Japanese customers and was able to steadily increase the number of customers taking advantage of the service. Furthermore, centered on Asia, the Group continued to fortify services for out-bound/in-bound customers between overseas branches and services that target non-Japanese customers providing overseas travel with local departure.

As a result of the various measures discussed above and despite the effect of travel cancellations due to the Great East Japan Earthquake, the travel business was able to maintain the number of passengers traveling abroad in the period from November 1, 2010, to April 30, 2011, at the same level in the year-earlier period. This, coupled with an increase in average customer spending on travel products, resulted in sales of 169,048 million yen. As for earnings, contributions from an improvement in the cost ratio stemming from the end of a long-term forward foreign currency contract that remained in the previous period, progress on profit management instituted from during the contract period, and an emphasis on production efficiency in business operations resulted in operating income of 3,908 million yen.

As for the impact of the Great East Japan Earthquake, there were partial interruptions to operations because of damage to branches in the Tohoku region, travel cancellations and cutbacks in business trips, and reduced travel arrangements from overseas. With the exception of the Fukushima branch in Fukushima Prefecture, all branches have resumed operations. The group also took what steps it could as a travel company to support the disaster area. These include a campaign called "Heart in the Bottle" in which a plea is made to customers

returning from abroad to bring back bottled drinking water, which are collected and delivered directly to the disaster area along with batteries and other life necessities; the donation of a portion of income from travel products reserved up through April 30; and the announcement of a "Disaster victim support plan (overseas tour)" for everyone in the disaster area.

Hotel business

- For the hotel business, efforts to improve customer satisfaction and profitability of the three hotels the Group operates (the Gold Coast and Brisbane, Australia, and Sapporo) resulted in sales of 1,213 million yen and operating profit of 57 million yen.

Theme park business

- HUIS TEN BOSCH Co., Ltd., which operates the HUIS TEN BOSCH theme park, added seasonal entertainment and events, such as "Gardening World Cup 2010 Nagasaki" that opened in October 2010 and "Kingdom of Light 2010" that opened in November 2010. These carefully-crafted events were well received by visitors and contributed to a significant increase in the number of people visiting the park. As a result, the company recorded sales of 5,814 million yen and an operating income of 248 million yen, its first operating income for a fiscal first half.

As a result, net sales for the period increased 14.1% year on year to 175,923 million and operating income rose 44.6% year on year to 3,415 million yen. Interest income and other non-operating income boosted ordinary income to 4,343 million yen (117.7% increase compared to the previous year). The sale of some investment securities at the end of December 2010 generated a gain on sale of investment securities of 3,181 million yen and resulted in net income of 4,571 million yen (146.0% increase compared to the previous year).

2. Outlook for the Full Year

As for the Japanese economy going forward, there are concerns it will temporarily stall due to a cool-off in consumer sentiment as a result of the uncertain outlook, including the dampening effect of the earthquake on production activity and power usage restrictions stemming from the Fukushima Daiichi nuclear power plant accident.

In the travel industry, it is thought that demand for overseas travel will be greatly affected by the outlook for the Japanese economy, but because of the continuing strength of the yen, the expansion of international routes from Haneda Airport, and moves by companies to extend summer holidays, we do not anticipate a significant decline in demand, a view that is supported by recent trends.

In this business environment, the Group will strengthen operations in the core travel business, while appealing through aggressive advertising campaigns the unique strengths of the company (quality control system, exclusive personnel system, overseas support system, competitive pricing, and broad product lineup), and

strive to further improve product quality and services and undertake various measures to provide a safe and enjoyable travel experience to even more customers. Furthermore, the Group will organize a system that can flexibly respond to demand trends.

Travel business

· In terms of product development, in addition to price superiority in airline ticket sales, the Group continues to appeal on its unique value-added and originality through such means as enhancing its travel arrangement capabilities and overseas support system, improving the website for online airline ticket reservations, and developing a points-accumulation service that includes shopping at overseas travel destinations (duty-free shop in Seoul, Korea). As for package tour sales, the Group will develop price conscious products for its Ciao line, the Group's main product line, expand its added-value Ciaopresso and impresso (brand of package tours that include a tour guide) lines of products, and strive to increase product quality. The Group is also actively developing charter flights (Thailand's Business Air, Italy's Meridiana Fly) to be able to reliably provide products that satisfy customers during the busy summer travel season.

· In regards to sales channels, branches mainly within the power supply domains of Tokyo Electric Power and Tohoku Electric Power will conduct operations keeping in mind the need to conserve energy, while at the same time ensuring no loss of convenience to customers. The function of each sales channel, be it branches, call centers, or the automatic reservation system via PC and mobile phone, will also be clarified, and a review of product distribution systems by product function is moving ahead with an eye to improve productivity and efficiency. The reconfiguration of the branch network from the standpoint of efficient operations is also ongoing.

· In regards to online sales, the Group will strengthen the business as an important sales and marketing channel. The Group will increase the number of visitors to its website and rate of repeat use by expanding the number of products reserved on the online system via a computer or mobile phone and creating an easier-to-use system that takes customer convenience into consideration in order to meet the diverse needs of customers. We have also been working to strengthen communications with customers that actively use social media. The Group will also strive to improve its name recognition overseas by launching travel sites that overseas customers can also use.

· As for corporate travel, although business trips were cut back following the earthquake, there are signs demand is beginning to recover. The Group continues to increase the number of branches in regional areas in order to provide services even more finely tuned to the needs of local areas and strengthen capabilities to attract large corporate and government office customers, along with other potential customers which are seen as a new source of demand. In addition, now that the Group has been certified as the official travel agency of the Japanese Olympic Committee for the 2012 London Olympics, efforts are

being devoted to the creation and sale of related products. As for group tours, the Group has been working to improve efficiency and profitability while reinforcing the sales system to win orders for large travel programs. Looking ahead, the Group is actively expanding the number of branches dedicated to group travel with a view to expanding the scale of this business, and is also focusing on the training of personnel to meet staffing needs.

· Turning to business expansion overseas, the Group continued to open offices in new countries and regions. It is also focusing on services for out-bound/in-bound customers between overseas branches. Toward this end, the number of branches in cities in which the Group already has a presence is being increased, the customer handling system is being beefed-up to accept customers not only from Japan but all countries, and the hotel room purchasing function is being enhanced. Steps such as these are accelerating the Group's global business expansion.

Hotel business

· In the hotel business, the Group will strive to improve customer satisfaction and profitability of its two hotels located on the Gold Coast and in Brisbane, Australia, and the Watermark Sapporo. The Group is also focusing on human resource development and will establish a system to provide pleasant lodging services. This summer, Watermark Hotel Nagasaki HUIS TEN BOSCH, which provides services in English as the common language, located within the HUIS TEN BOSCH theme park is scheduled to open, and a system that can provide customers with comfortable hotel services is being prepared.

Theme park business

· HUIS TEN BOSCH Co., Ltd. has been pushing ahead with various new attempts to create imaginative entertainment and events each season, including the amusement attraction ONE PIECE "Thousand Sunny" pirate ship in HUIS TEN BOSCH and the motion-sensation video attraction 5D MIRACLE TOUR that opened in April, and the HUIS TEN BOSCH "Summer Kingdom" that is scheduled to be held from July 16, 2011. In response to the sharp drop-off in overseas visitors to the theme park following the earthquake (although that traffic is now gradually recovering), HUIS TEN BOSCH is stepping up marketing activities in Japan, while forming tie-ups with domestic travel companies. At the same time, the company is also focusing on bringing visitors to Japan by collaborating with overseas branches, and it is making preparations to launch a cruise ship service on the Nagasaki-Shanghai route planned for 2012. The company aims to create a theme park that raises the profile of the Group and continues to provide satisfaction and support for everyone.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

	<i>Millions of Yen</i>	
	As of Apr 30, 2011	As of Oct 31, 2010
ASSETS		
Current assets		
Cash and deposits	50,243	52,409
Accounts receivable-trade	8,799	8,106
Operating accounts receivable	5,629	7,005
Short-term investment securities	815	269
Travel advance payments	14,439	12,485
Prepaid expenses	944	1,364
Deferred tax assets	2,156	2,138
Short-term loans receivable	34	34
Short-term loans receivable from subs. and affiliates ..	163	136
Accounts receivable-other	2,004	1,299
Other	1,820	1,928
Allowance for doubtful accounts	(50)	(59)
Total current assets	87,002	87,119
Noncurrent assets		
Property, plant and equipment		
Buildings, net	6,192	6,158
Tools, furniture and fixtures, net	1,036	948
Land	1,954	1,911
Other, net	793	497
Total property, plant and equipment	9,977	9,515
Intangible assets	2,854	2,616
Investments and other assets		
Investment securities	9,181	10,741
Stocks of subsidiaries and affiliates	4,084	3,423
Investments in capital of subs. and affiliates	174	244
Long-term loans receivable	1,018	1,034
Long-term loans receivable from subs. and affiliates ..	755	930
Deferred tax assets	40	46
Guarantee deposits	4,374	4,732
Other	310	302
Allowance for doubtful accounts	(151)	(174)
Total investments and other assets	19,786	21,279
Total noncurrent assets	32,618	33,411
Deferred assets	22	24
Total assets	119,643	120,555

	<i>Millions of Yen</i>	
	As of Apr 30, 2011	As of Oct 31, 2010
LIABILITIES		
Current liabilities		
Operating accounts payable	13,161	15,180
Current portion of long-term loans payable	—	87
Accounts payable-other	1,451	1,177
Accrued expenses	1,887	1,762
Income taxes payable	2,425	1,426
Accrued consumption taxes	267	436
Travel advance received	25,402	28,771
Provision for bonuses	3,186	2,361
Provision for directors' bonuses	34	67
Other	3,188	3,101
Total current liabilities	51,007	54,374
Noncurrent liabilities		
Long-term loans payable	—	895
Deferred tax liabilities	1,762	2,136
Provision for retirement benefits	3,347	3,049
Provision for directors' retirement benefits	402	403
Provision for repairs	1,641	1,584
Other	606	627
Total noncurrent liabilities	7,760	8,696
Total liabilities	58,767	63,070
NET ASSETS		
Shareholders' equity		
Capital stock	6,882	6,882
Capital surplus	7,782	7,782
Retained earnings	43,761	40,105
Treasury stock	(2,522)	(2,521)
Total shareholders' equity	55,904	52,248
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,029	4,559
Deferred gains or losses on hedges	6	(84)
Foreign currency translation adjustment	(1,323)	(1,291)
Total valuation and translation adjustments	2,711	3,184
Minority interests	2,260	2,051
Total net assets	60,876	57,484
Total liabilities and net assets	119,643	120,555

2. Consolidated Statements of Income

	<i>Millions of Yen</i>	
	Nov 1, 2010 - Apr 30, 2011	Nov 1, 2009 - Apr 30, 2010
Net sales	175,923	154,151
Cost of sales	142,147	128,655
Gross profit	33,775	25,496
Selling, general and administrative expenses	30,360	23,134
Operating income	3,415	2,362
Non-operating income		
Interest income	186	186
Foreign exchange gains	123	—
Equity in earnings of affiliates	180	173
Subsidy income	449	—
Other	103	140
Total non-operating income	1,042	500
Non-operating expenses		
Interest expenses	14	—
Foreign exchange losses	—	841
Provision of allowance for doubtful accounts	4	—
Loss on investments in silent partnership	70	—
Other	25	26
Total non-operating expenses	114	867
Ordinary income	4,343	1,994
Extraordinary income		
Gain on sales of noncurrent assets	—	0
Gain on sales of investment securities	3,181	113
Reversal of allowance for doubtful accounts	8	0
Gain on negative goodwill	39	632
Other	45	0
Total extraordinary income	3,274	747
Extraordinary loss		
Loss on retirement of noncurrent assets	48	16
Loss on sales of investment securities	—	68
Loss on valuation of investment securities	—	209
Loss on adjustment for changes of accounting standard for asset retirement obligations	361	—
Other	96	1
Total extraordinary losses	506	295
Income before income taxes and minority interests	7,111	2,447
Income taxes	2,223	492
Income before minority interests	4,888	1,954
Minority interests in income	317	96
Net income	4,571	1,857

3. Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>	
	Nov 1, 2010 - Apr 30, 2011	Nov 1, 2009 - Apr 30, 2010
I. Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,111	2,447
Depreciation and amortization	862	696
Amortization of goodwill	74	73
Gain on negative goodwill	(39)	(632)
Increase (decrease) in allowance for doubtful accounts	(3)	1
Increase (decrease) in provision for bonuses	829	(955)
Increase (decrease) in provision for directors' bonuses	(32)	(37)
Increase (decrease) in provision for retirement benefits	298	91
Increase (decrease) in provision for directors' retirement benefits	(1)	15
Increase (decrease) in provision for repairs	57	—
Interest and dividends income	(186)	(186)
Equity in (earnings) losses of affiliates	(180)	(173)
Foreign exchange losses (gains)	(234)	335
Interest expenses	14	11
Loss (gain) on investments in silent partnership	70	—
Loss (gain) on sales of investment securities	(3,181)	(45)
Loss (gain) on valuation of investment securities	—	209
Loss (gain) on sales of property, plant and equipment	(0)	(0)
Loss on retirement of property, plant and equipment	46	16
Loss on adjustment for changes of accounting standard for asset retirement obligations	361	—
Other loss (gain)	(1)	0
Decrease (increase) in notes and accounts receivable-trade	607	146
Decrease (increase) in travel advance payments	(1,929)	(4,402)
Decrease (increase) in other assets	(207)	(324)
Increase (decrease) in notes and accounts payable-trade	(2,026)	1,404
Increase (decrease) in accrued consumption taxes	(175)	265
Increase (decrease) in accrued expenses	138	(266)
Increase (decrease) in travel advances received	(3,442)	5,218
Increase (decrease) in other liabilities	448	(253)
Sub-total	(724)	3,654
Interest and dividends income received	177	214
Interest expenses paid	(10)	(11)
Income taxes (paid) refund	(1,254)	(614)
Net cash provided by (used in) operating activities	(1,811)	3,242

	<i>Millions of Yen</i>	
	Nov 1, 2010 - Apr 30, 2011	Nov 1, 2009 - Apr 30, 2010
II. Net cash provided by (used in) investing activities		
Payments into time deposits	(4,857)	(1,429)
Proceeds from withdrawal of time deposits	3,489	1,221
Purchase of short-term investment securities	(250)	(211)
Proceeds from sales of short-term investment securities	—	32
Proceeds from redemption of securities	202	1,235
Purchase of property, plant and equipment and intangible assets....	(1,274)	(874)
Proceeds from sales of property, plant and equipment and intangible assets	0	0
Purchase of investment securities	(227)	—
Purchase of stocks of subsidiaries and affiliates	(706)	(133)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(0)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	2,771
Proceeds from sales of investment securities	3,601	264
Proceeds from redemption of investment securities	1	9
Payments of loans receivable	(0)	(1,092)
Collection of loans receivable	144	261
Payments for guarantee deposits	(270)	(440)
Proceeds from collection of guarantee deposits	266	222
Other, net	(11)	(30)
Net cash provided by investing activities	108	1,804
III. Net cash provided by (used in) financing activities		
Decrease in short-term loans payable	—	(210)
Repayment of long-term loans payable	(983)	(65)
Cash dividends paid	(778)	(778)
Cash dividends paid to minority shareholders	(20)	(14)
Purchase of treasury stock	(0)	(0)
Proceeds from disposal of treasury stock	0	—
Other, net	(40)	(21)
Net cash used in financing activities	(1,822)	(1,091)
IV. Effect of exchange rate change on cash & cash equivalents	(118)	(640)
V. Net increase (decrease) in cash & cash equivalents	(3,644)	3,315
VI. Cash & cash equivalents at beginning of period	46,340	35,070
VII. Increase in cash & cash equivalents from newly consolidated subsidiary	289	91
VIII. Increase (decrease) in cash & cash equivalents resulting from change of scope of consolidation	(166)	—
IX. Cash & cash equivalents at end of period	42,819	38,477

4. Segment Information

Current Consolidated First Half (November 1, 2010 - April 30, 2011)

(Millions of Yen)

	Segment Total				Other	Total	Amount of adjustment	Amount on the consolidated statements of income
	Travel business	Hotel business	Theme park business	Total				
Net sales								
Sales to outside customers	169,007	1,181	5,721	175,909	13	175,923	—	175,923
Inter-segment sales / transfers	41	32	92	166	6	172	(172)	—
Total	169,048	1,213	5,814	176,075	20	176,095	(172)	175,923
Gains (losses) by Segment	3,908	57	248	4,214	(1)	4,213	(797)	3,415