



## **Consolidated Financial Results**

### **For the Fiscal Year Ended October 31, 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 Fiscal Year Ended October 31, 2011

### 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, Managing Director
Telephone:	+81-3-5908-2070
Scheduled date of annual shareholders' meeting:	January 26, 2012
Date of Dividend payment:	January 27, 2012
Scheduled date of filing annual report:	January 27, 2012

## 1. Consolidated Financial Results (November 1, 2010 – October 31, 2011)

### (1) Consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2011	%	2010	%
Net Sales .....	380,805	9.4	348,065	7.1
Operating Income .....	9,407	49.8	6,278	(12.0)
Ordinary Income .....	11,005	119.2	5,019	(10.1)
Net Income .....	8,300	145.2	3,384	0.4
Net Income per Share (yen).....	255.96		104.37	
Net Income per Share, Diluted (yen).....	—		—	
Return on Equity (ROE) .....	14.0%		6.6%	
Ordinary Income to Total Assets Ratio .....	8.5%		4.6%	
Operating Income to Net Sales Ratio.....	2.5%		1.8%	
Notes: Equity of earnings in affiliates:	Full year ended October 31, 2011		186 million yen	
	Full year ended October 31, 2010		238 million yen	

### (2) Consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2011	2010
Total Assets.....	139,018	120,555
Net Assets.....	65,589	57,484
Shareholders' Equity Ratio.....	45.3%	46.0%
Net Assets per Share (yen).....	1,942.32	1,709.44
Notes: Shareholders' equity (consolidated):	As of October 31, 2011:	62,984 million yen
	As of October 31, 2010:	55,433 million yen

### (3) Consolidated Cash Flows

	<i>Millions of Yen</i>	
	Fiscal Year Ended October 31,	
	2011	2010
Cash Flows from Operating Activities .....	18,464	14,212
Cash Flows from Investing Activities .....	(18,147)	1,019
Cash Flows from Financing Activities .....	(1,843)	(1,166)
Cash and Cash Equivalents at End of Year .....	44,703	46,340

### 2. Dividend Distribution

	Dividend per Share			Total Dividend (millions of yen)	Dividend payout ratio (%) (consolidated)	Ratio of dividends to net assets (%) (consolidated)
	Half Year	Year End	Full Year			
FY2010	0.00	24.00	24.00	778	23.0	1.5
FY2011	0.00	32.00	32.00	1,037	12.5	1.8
FY2012 (Forecast)	0.00	30.00	30.00	—	13.0	—

Notes: Breakdown of dividend per share: FY2011

Special dividend 8.00 yen

### 3. Consolidated Forecast for the Fiscal Year Ending October 31, 2012

	<i>Millions of Yen</i>			
	Interim ending April 30, 2012		FY ending October 31, 2012	
	Sales	Profit	Sales	Profit
Net Sales .....	204,500	16.2%	444,000	16.6%
Operating income .....	4,000	17.1%	11,000	16.9%
Ordinary Income .....	4,900	12.8%	12,500	13.6%
Net Income .....	2,800	(38.7%)	7,500	(9.6%)
Net Income per Share (yen) .....	86.35		231.29	

### 4. Additional Notes

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

(2) Changes in principles, procedures and presentation of accounting treatment in preparing consolidated financial statements: (i) Changes resulting from revisions to accounting standards, etc.: Yes  
(ii) Changes other than (i): None

(3) Number of shares issued (common shares)

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

As of October 31, 2011 34,261,468 shares

As of October 31, 2010 34,261,468 shares

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

As of October 31, 2011 1,834,108 shares

As of October 31, 2010 1,833,792 shares

(ii) Average number of shares during the period

As of October 31, 2011 32,427,474 shares

As of October 31, 2010 32,427,788 shares

## 5. Non-consolidated Financial Results (November 1, 2010 – October 31, 2011)

### (1) Non-consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2011	%	2010	%
Net sales .....	334,683	8.4	308,803	4.5
Operating Income .....	6,243	24.6	5,009	(8.4)
Ordinary Income .....	6,779	143.6	2,783	(16.2)
Net Income .....	5,466	341.7	1,237	(25.1)
Net Income per Share (yen) .....	168.57		38.16	
Net Income per Share, Diluted (yen) .....	—		—	

### (2) Non-consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2011	2010
Total Assets .....	114,775	100,381
Net Assets .....	52,316	47,811
Shareholders' Equity Ratio .....	45.6%	47.6%
Net Assets per Share (yen) .....	1,613.34	1,474.41

Note: Shareholders' equity: Fiscal year ended October 31, 2011: 52,316 million yen  
Fiscal year ended October 31, 2010: 47,811 million yen

*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 pages 6-7 for further information concerning the projections.*

## **I. Operating Results and Financial Position**

### **1. Operating Results**

#### **(1) Overview of consolidated results for the fiscal period**

During the fiscal year under review, the Japanese economy continued to face harsh conditions with corporate earnings declining and the recovery in employment stagnating due to the Great East Japan Earthquake and other developments.

Within the travel industry, demand for overseas travel dramatically declined immediately after the Great East Japan Earthquake but has gradually recovered for various reasons including the continued historically strong yen, a trend among corporations of long-term summer vacations, and the ease of obtaining seats on flights due to the major decline in the number of foreign tourists visiting Japan. According to the Japan National Tourism Organization (JNTO), the (estimated) number of Japanese departing the country from November 2010 through October 2011 is expected to have risen by 1.5% on the previous year to around 16,741,000 people, an increase of approximately 249,000 people.

Under these business conditions, the Group strove to improve the quality of its services and implemented various measures so that it could ensure strong demand in the travel business, the Group's main business segment.

#### **· Travel business**

As for efforts related to online travel sales, the Group completely renewed its website in December 2010 based on the idea of creating a website that customers can easily understand and use. In addition, management of H.I.S. VACATION, a sales website for overseas hotel bookings and optional tours, was transferred to overseas offices, and a system for direct product sales from overseas was created. All of this made it possible to steadily increase the number of users. Furthermore, a new ticket sales system was released in July, 2011, which allows users to search ticket prices and seat availability for flights throughout the world. The Group also improved convenience for users, differentiated the H.I.S. site from those of its competitors, and further strengthened sales of airline tickets. Internet-based travel sales were firm overall as the above mentioned actions were taken to improve the ability to provide information and to handle automatic reservations made using personal computers, mobile phones, and smartphones.

As for efforts related to group travel, the Group strengthened sales, mainly to major corporations and the government, by fully launching operation of the corporate reservation system SFIDA, which makes it possible to manage business trip data for each corporate customer, in December 2010. Within Japan, the Group expanded its network of branch offices to areas that are projected to experience new demand, such as Osaka, Hiroshima, and Kyushu. Overseas, the Group took various steps including developing both sales offices and personnel in Shanghai and Bangkok in preparation for creating an overseas corporate sales network. In addition, focus has been placed on developing new groups of customers, which has involved announcing tours to see events at the 2012 London Olympics as H.I.S. has become the official travel agent for the first time.

In regard to sales at branches, the Group has introduced computer telephony integration and automated cash deposit machines at some branches and developed a new sales style that stresses productivity. Other measures have been taken as well, such as expanding business hours to include mornings and nighttime in order to raise convenience for customers. The Group also reinforced its sales system - branch offices have been relocated and new stores specializing in overseas weddings have been opened in Ikebukuro, Shizuoka, Kanazawa, and Sapporo.

Turning to new travel products and services, in order to provide the Company's original travel products, the Group has actively expanded charter flights from areas throughout Japan, such as flights on Business Air (Thailand) and Meridiana Fly (Italy) departing from Narita Airport and flights on Hawaiian Airlines departing from Kansai International Airport. In particular, Business Air flew daily flights between Narita and Bangkok during spring and summer and efforts were made to generate travel demand during this peak season. Other measures included launching a service where customers can save up Ponta points they receive for purchasing overseas travel products on the online reservation site and conducting new promotions using H.I.S. coupons.

As for the overseas travel business, the Group continued to expand its network of overseas branches, opening a total of 10 branches including the first office in South America (Sao Paulo, Brazil) and the first overseas office specializing in corporate travel (Bangkok, Thailand). The Group increased sales of locally-departing flights to non-Japanese customers, particularly in Asia. Measures were also taken to strengthen various other operations including those for out-bound/in-bound customers between overseas offices and those for in-bound customers from other travel companies.

Turning to domestic travel, the Group has reinforced sales of HUIS TEN BOSCH related products such as originally bundled charter round-trip bus tours from Tokyo to Nagasaki (HUIS TEN BOSCH). Furthermore, tours for volunteers to the Tohoku region were announced as an effort to aid the area hit by the Great East Japan Earthquake, and the Group worked on support projects that it could participate in as a travel company.

As a result of the various measures discussed above, the Group was able to record a year-on-year increase in the number of passengers flying from Japan handled by the travel business even though the number was impacted by cancellations following the Great East Japan Earthquake. Therefore, sales rose 7.4% year on year to 365,652 million yen. Operating income rose 29.0% year on year to 10,022 million yen for various reasons including an improvement in the cost of sales ratio as long-term foreign-exchange future contracts expired and sales activities that stress productivity were developed.

· Hotel business

The Group worked to improve customer satisfaction and profitability at its three hotels (the Gold Coast and Brisbane, Australia, and Sapporo, Japan). Therefore sales rose 3.4% year on year to 2,236 million yen. However, the Group recorded an operating loss of 25 million yen, compared to an operating loss of 22 million yen for the previous fiscal year.

· Theme park business

HUIS TEN BOSCH, Co., Ltd, which operates the theme park business, collaborated with the domestic travel

business and quickly shifted the focus of its sales and advertising activities to western Japan due to the impact of the Great East Japan Earthquake. Various new events and entertainment were well received by visitors, such as One Piece "THE THOUSAND SUNNY" in HUIS TEN BOSCH, which launched in April 2011, and the summer HUIS TEN BOSCH Summer Kingdom, and the number of visitors to the theme park steadily rose. Therefore, sales totaled 13,374 million yen and operating income reached 989 million yen. The Group also established HTB CRUISE Co., Ltd., in January 2011 and preparations were made to launch cruise ship service to Shanghai starting later half of January 2012.

In the previous fiscal year, earnings from HUIS TEN BOSCH Co., Ltd. were only consolidated for the six months from April 2010 to September 2010. The following are the year-on-year changes in earnings for HUIS TEN BOSCH itself for the twelve months from October 2010 through September 2011.

	<i>Millions of Yen</i>			
	Previous FY (Oct 1, 2009 – Sept 30, 2010)	Current FY (Oct 1, 2010 – Sept 30, 2011)	Y-Y Change (%)	Y-Y Change
Number of Visitors (Foreign Visitors) (Thousand persons).....	1,542 (217)	1,799 (143)	117% (66%)	258 (-74)
Net Sales .....	10,247	13,198	129%	2,951
Operating Income (Loss) .....	(1,197)	1,056	–	2,253
Ordinary Income (Loss) .....	(622)	1,978	–	2,600
Net Income (Loss).....	(6,859)	1,914	–	8,773

On account of the above, consolidated sales rose 9.4% year on year to 380,805 million yen and operating income grew 49.8% year on year to 9,407 million yen. Ordinary income rose 119.2% to 11,005 million yen because of non-operating income such as interest income, and net income rose 145.2% year on year to 8,300 million yen on account of a gain on sales of investment securities of 3,181 million yen as some of the shares held by the Group were disposed of in the latter part of December 2010.

Segment figures include transactions between segments. Year-on-year changes for segments are provided for reference.

## **(2) Forecasts for next fiscal year**

Although there is growing uncertainty regarding the global economy, such as the European debt crisis, demand for overseas travel is projected to gradually trend upwards for various reasons including the creation of low cost carriers in Japan, new flights from overseas, the continued historically strong yen, and global events such as the London Olympics. It is also forecast that both the market for travel to Japan and domestic travel within Japan, which have stagnated since the Great East Japan Earthquake, will firmly head toward recovery. On the other hand, it is expected that it will become more important to respond to changes in the market, such as fiercer competition within the industry, including that related to airline companies that are

developing more diverse points of contacts with customers and introducing direct sales.

Under these conditions, the Group will strive to improve the safety, security, and quality of its services and to carefully respond to the needs of customers, such as introducing different language versions of its newly introduced smartphone airline ticket search system; creating limited-time products, for example, tours to see events at the London Olympics, which H.I.S. has become the official travel agent for; and actively making use of charter flights. In the global market, the Group will create unique products and services and work to promptly implement numerous measures to expand and develop the travel business for flights departing either from Japan or overseas. In addition, the Group will promote expansion with a greater awareness of productivity and efficiency and further increase earnings, and this will involve various activities including opening offices that take into consideration sales channels and conducting promotions to generate demand based on an awareness of the medium's characteristics.

HUIS TEN BOSCH Co., Ltd., which will celebrate the 20-year anniversary of its opening in 2012, will exert its originality and creativity to develop entertainment and events and move forward various new projects. These projects include holding From No.1 of the East to No.1 of the world - Kingdom of the light 2011 with 8.2 million illumination bulbs (November 19, 2011 - March 4, 2012), launching Japan's first Ferris Wheel of Light (November 25, 2011), and holding various events to commemorate its 20-year anniversary. HTB CRUISE Co., Ltd., also expects to launch cruise ship service between Nagasaki and Shanghai starting in the latter part of January 2012, creating new demand for tourism from China.

## **2. Allocation of profits**

### **(1) Basic approach to allocation of profits**

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

### **(2) Basic approach to dividends**

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

### **(3) Utilization of internal capital reserves**

In addition to preparation for sudden changes in the travel industry and competition and reorganization within the industry, maintenance of home and abroad branch network and active investments in the IT business, there is a greater need to respond to unexpected external factors such as recent terrorism, H1N1 flu and sudden phenomena that the Group's customer encounter. Under these conditions, there is a strong awareness of the importance of creating a stable financial base for rapid-response and therefore there is a desire to keep



internal reserves relatively thick and stabilize the business foundation.

The Company expects to pay a year-end dividend of 32 yen per share (a regular dividend of 24 yen per share plus a special dividend of 8 yen per share) as the Group recorded more than 10.0 billion yen in ordinary income for the fiscal year under review, for the first time in the Company's history. As for the dividend for the next fiscal year, the Group plans to pay an annual common dividend of 30 yen per share to ensure sustainable and stable profit sharing. However, the Company will remain flexible in responding to the situation, if performance worsens in uncertain market conditions.

### **3. Business and Other Types of Risks**

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

The matters pertaining to the future noted in this section were those determined by the Group as of the announcement date of the financial statement (December 16, 2011). Business and other risks are not limited to these risks.

#### **(1) Regional characteristics of business expansion**

The travel business comprises 96.0% of group sales by segment; sales by region are also concentrated in Japan, at 94.8%. Changes in the environment for the travel business in Japan therefore have the potential to affect the Group's financial status, operating results, etc.

#### **(2) Changes in fuel surcharges**

Parent sales, which were affected by an increase in fuel surcharges associated with the sharp rise in crude oil prices, accounted for 86.1% of group sales, and overseas travel comprised 94.1% of parent sales. The company is currently adding a fuel surcharge to overseas travel fares to reflect the change in crude oil prices. A sharp increase in this fuel surcharge could dampen overall demand and adversely affect the financial condition and business results of the Group.

#### **(3) Trend of travelers to Asia and trend of travelers visiting Japan**

Japanese passengers heading to Asia accounted for the largest percentage of the Company's total number of Japanese traveling overseas, making up 58.0% of the total (or 43.3% of sales). Changes in the external environment at these destinations, such as terrorism, outbreaks of contagious diseases, or natural disasters, could have an impact on various items including the Group's financial condition and earnings. If it becomes difficult to secure seats on flights as the number of visitors to Japan from Asia rapidly increases, this could have a similar impact.

#### **(4) Competition with other competitors**

The Group Travel Business is subject to stiff competition from other travel agencies or direct sales by

suppliers; Group financial status, operating results, and other factors could be affected if stiffer competition on prices were to occur.

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

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

#### **(6) Fluctuations in the valuation of owned assets such as securities**

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

#### **(7) Exchange rate fluctuations**

The Group conducts business in foreign currencies and therefore incurs income and expenses as well as assets and liabilities in foreign currencies as a result. The Group hedges risk through forward exchange contracts and other instruments to mitigate the impact of exchange rate fluctuations. However, sharp fluctuation in exchange rates could affect the Group's financial status, operating results and other factors.

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) Breakout and spread of infectious diseases throughout the world (including Japan)**

The travel business comprises 96.0% of group sales by segment. Therefore, if an infectious disease were to break out and spread throughout the world including Japan and there were a sudden decline in the desire for global travel, these could negatively impact the financial position and earnings of the Group.

#### **(9) Other risks surrounding the travel business**

Other than the above, risks surrounding the travel business include changes in the world situation such as terrorism, war, and other events; damage on travel infrastructure due to natural disaster; and global disorder as a result of sudden changes in exchange rates. The Group's financial position and earnings could be affected.

## **II. Management Policy**

### **1. Basic management policy**

Under the corporate concept of "To contribute to the advance of world peace and mutual understanding by increasing the knowledge of people in the world through TOURISM, getting over the differences of nationality, race, culture and religion," the Group strives every day to develop products and provide services that are

trusted by and satisfied by customers. While always working to develop the travel business, the Group's core business, from a customer perspective and giving sufficient consideration to safety and peace of mind, the Group is working to further improve customer satisfaction. In addition, the Group will do its most so that it can become a global travel company that is supported in countries and regions throughout the world.

## **2. Management goals and indicators**

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

## **3. Medium to long-term business strategy**

Through focusing our Group's business resources on our travel business, we aim to establish an advantage in the travel market. Focusing on improving customer convenience, stronger efforts based on an awareness of the importance of greater productivity and operational efficiency, such as developing new sales channels that actively make use of IT especially the Internet, will be undertaken. With the goal of transforming itself into a global travel company that is trusted and supported globally, the Group will market its corporate/group and domestic travel operations and aggressively develop overseas travel services for trips that depart locally especially in Asia by making use of overseas branches that focus their efforts on Asia. Details are provided below.

### **• Strengthening product competitiveness and sales channels**

We are developing new market, by offering appropriate information and services to not only its main customer groups- individual travelers, young travelers, and seasoned travelers- but also other customer groups, including corporate/group travelers, the wealthy and seniors; expanding a line of products; and improving the quality. Focusing on several endeavors including developing travel products that make use of charter flights from various areas of Japan, we will create a system to provide a stable supply of seats and our independently developed travel products. Efforts will also be made to clarify the roles of the various sales channels, such as branches, call center, and automatic reservation service provided over the Internet and mobile phones, and to expand business that stresses productivity and efficiency.

### **• Accelerating global expansion**

In addition to expanding our overseas network, a distinguishing feature of the Group, we will further reinforce intercompany partnerships, strengthen our support system for travelers at their destination and our ability to provide products and information, and expand the travel business overseas. Furthermore, we will strive to increase the number of customers who use our services throughout the world by making the services and

products created by local overseas branches, such as stays at overseas hotels and optional tours, available over the Internet.

- **Strengthening and expanding Corporate / Group Travel**

We will strive to expand our network of branches and to develop new customers, look to expand the scale of business, and focus on developing the personnel who will be responsible for this approach.

- **Strengthening and expanding In-bound / Domestic travel**

We will aim to establish new in-bound travel businesses such as the sightseeing business at ports that cruise ships dock at by strengthening partnerships with overseas branches. As for efforts related to domestic travel, we will promote Group-wide endeavors to raise profitability and to stimulate the domestic travel market by focusing on sales, particularly those related to HUIS TEN BOSCH and Okinawa.

- **New challenge on HUIS TEN BOSCH**

HUIS TEN BOSCH Co., Ltd., a symbol of the Group, will direct its originality and ingenuity toward its seasonal entertainment and events, and promote various new efforts. We plan on stimulating new demand for sightseeing among Chinese tourists, and HTB CRUISE Co., Ltd. is expected to launch cruise ship service between Nagasaki and Shanghai starting in the latter part of January 2012. We are also taking on various challenges in order to transform the city into one based on sightseeing.

#### **4. Key issues**

In the travel industry, competition among not only existing major travel companies but also Internet-based travel companies throughout the world and airline companies who directly sell their tickets is becoming fiercer. Under these conditions, the following are the major issues to be dealt with by the Group:

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

As a travel company, the Group recognizes that striving to improve safety, peace of mind, and quality of services and products is the most important factor to win the support of customers through the future. Active efforts will be made on various fronts including constructing unique products that take into consideration travel itineraries reflecting opinions from customers and local travel guides, examining the safety of local hotels and tourist sites. The Group will be continuously working on providing its high quality products and information for safe and secure travel. Furthermore, the Company will create common in-house service criteria and work to please customers and win their support.

- **Creating originality**

Customers' travel needs are growing more diverse, and there is a strong trend toward highly-flexible products that correspond to the particular travel style of individuals. As for the Group, we will ascertain trends in the industry and among various competitors and are developing our own travel products and services. The Group

is aiming to achieve several goals including strengthening its personal services of providing optimal travel plans that meet the needs of customers, reinforcing the support system providing customers with peace of mind and safety at their destinations, and strives to differentiate from the company's competitors.

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

The Group recognizes the importance of continually capturing and developing top human resources who are able to respond to international competition. So through the future, the Group is going on strengthening them. At a time of growing diversity in travel needs and age groups of travelers, it is considered important to improve the level of both the knowledge of staff and the quality of service to customers. The Group considers expanding the education and training of staff a priority issue and is working to do so.

## **5. Other important matters in company management**

None

### III. Consolidated Financial Statements

#### 1. Consolidated Balance Sheets

	<i>Millions of Yen</i>	
	As of Oct 31, 2011	As of Oct 31, 2010
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits .....	63,894	52,409
Accounts receivable-trade .....	8,295	8,106
Operating accounts receivable .....	4,606	7,005
Short-term investment securities .....	1,750	269
Travel advance payments .....	15,536	12,485
Prepaid expenses .....	1,142	1,364
Deferred tax assets .....	2,050	2,138
Short-term loans receivable .....	32	34
Short-term loans receivable from subs. and affiliates .....	1,460	136
Accounts receivable-other .....	1,647	1,299
Other .....	2,424	1,928
Allowance for doubtful accounts .....	(31)	(59)
<b>Total current assets .....</b>	<b>102,810</b>	<b>87,119</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings .....	12,880	12,168
Accumulated depreciation .....	(6,521)	(6,009)
Buildings, net .....	6,359	6,158
Tools, furniture and fixtures .....	4,941	4,390
Accumulated depreciation .....	(3,744)	(3,442)
Tools, furniture and fixtures, net .....	1,196	948
Vessels .....	2,647	—
Accumulated depreciation .....	(372)	—
Vessels, net .....	2,274	—
Land .....	2,019	1,911
Other .....	1,860	2,306
Accumulated depreciation .....	(1,327)	(1,809)
Other, net .....	532	497
<b>Total property, plant and equipment .....</b>	<b>12,383</b>	<b>9,515</b>
<b>Intangible assets .....</b>	<b>2,937</b>	<b>2,616</b>
<b>Investments and other assets</b>		
Investment securities .....	9,849	10,741
Stocks of subsidiaries and affiliates .....	4,505	3,423
Investments in capital of subs. and affiliates .....	85	244
Long-term loans receivable .....	960	1,034
Long-term loans receivable from subs. and affiliates .....	816	930
Deferred tax assets .....	58	46
Guarantee deposits .....	4,418	4,732
Other .....	313	302
Allowance for doubtful accounts .....	(151)	(174)
<b>Total investments and other assets .....</b>	<b>20,855</b>	<b>21,279</b>
<b>Total noncurrent assets .....</b>	<b>36,1761</b>	<b>33,411</b>
Deferred assets .....	31	24
<b>Total assets .....</b>	<b>139,018</b>	<b>120,555</b>

	<i>Millions of Yen</i>	
	As of Oct 31, 2011	As of Oct 31, 2010
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable .....	16,455	15,180
Current portion of long-term loans payable .....	—	87
Accounts payable-other .....	1,839	1,177
Accrued expenses .....	1,817	1,762
Income taxes payable .....	3,985	1,426
Accrued consumption taxes .....	285	436
Travel advance received .....	34,740	28,771
Provision for bonuses .....	2,968	2,361
Provision for directors' bonuses .....	159	67
Provision for travel fund interests .....	—	3
Provision for point card certificates .....	—	35
Forward exchange contracts .....	—	249
Other .....	3,285	2,812
<b>Total current liabilities .....</b>	<b>65,509</b>	<b>54,374</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable .....	—	895
Deferred tax liabilities .....	1,788	2,136
Provision for retirement benefits .....	3,689	3,049
Provision for directors' retirement benefits .....	418	403
Provision for travel fund interests .....	—	4
Provision for repairs .....	1,471	1,584
Other .....	550	622
<b>Total noncurrent liabilities .....</b>	<b>7,918</b>	<b>8,696</b>
<b>Total liabilities .....</b>	<b>73,428</b>	<b>63,070</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock .....	6,882	6,882
Capital surplus .....	7,782	7,782
Retained earnings .....	47,658	40,105
Treasury stock .....	(2,522)	(2,521)
<b>Total shareholders' equity .....</b>	<b>59,801</b>	<b>52,248</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities .....	4,364	4,559
Deferred gains or losses on hedges .....	(6)	(84)
Foreign currency translation adjustment .....	(1,175)	(1,291)
<b>Total accumulated other comprehensive income .....</b>	<b>3,182</b>	<b>3,184</b>
Minority interests .....	2,605	2,051
<b>Total net assets .....</b>	<b>65,589</b>	<b>57,484</b>
<b>Total liabilities and net assets .....</b>	<b>139,018</b>	<b>120,555</b>

## 2. Consolidated Statements of Income

	<i>Millions of Yen</i>	
	Nov 1, 2010 – Oct 31, 2011	Nov 1, 2009 – Oct 31, 2010
<b>Net sales</b> .....	380,805	348,065
Cost of sales .....	310,238	288,366
Gross profit .....	70,566	59,699
Selling, general and administrative expenses .....	61,158	53,420
<b>Operating income</b> .....	<b>9,407</b>	<b>6,278</b>
<b>Non-operating income</b>		
Interest income .....	418	368
Equity in earnings of affiliates .....	186	238
Subsidy income .....	891	490
Other .....	304	354
<b>Total non-operating income</b> .....	<b>1,800</b>	<b>1,451</b>
<b>Non-operating expenses</b>		
Interest expenses .....	—	23
Foreign exchange losses .....	64	2,642
Loss on investments in silent partnership .....	70	—
Other .....	68	44
<b>Total non-operating expenses</b> .....	<b>202</b>	<b>2,710</b>
<b>Ordinary income</b> .....	<b>11,005</b>	<b>5,019</b>
<b>Extraordinary income</b>		
Reversal of allowance for doubtful accounts .....	6	2
Gain on sales of noncurrent assets .....	—	8
Gain on sales of investment securities .....	3,181	113
Gain on negative goodwill .....	39	632
Other .....	53	183
<b>Total extraordinary income</b> .....	<b>3,280</b>	<b>940</b>
<b>Extraordinary loss</b>		
Loss on retirement of noncurrent assets .....	81	96
Loss on redemption of securities .....	—	98
Loss on sales of investment securities .....	—	314
Loss on valuation of investment securities .....	—	53
Cancellation fee .....	70	149
Loss on adjustment for changes of accounting standard for asset retirement obligations .....	361	—
Other .....	187	48
<b>Total extraordinary losses</b> .....	<b>700</b>	<b>761</b>
<b>Income before income taxes and minority interests ..</b>	<b>13,584</b>	<b>5,199</b>
Income taxes - current .....	4,829	1,908
Income taxes - deferred .....	(203)	(350)
Total income taxes .....	4,626	1,557
<b>Income before minority interests</b> .....	<b>8,958</b>	<b>3,641</b>
<b>Minority interests in income</b> .....	<b>658</b>	<b>256</b>
<b>Net income</b> .....	<b>8,300</b>	<b>3,384</b>



	<i>Millions of Yen</i>	
	Nov 1, 2010 – Oct 31, 2011	Nov 1, 2009 – Oct 31, 2010
<b>Consolidated statements of comprehensive income</b>		
Income before minority interests .....	8,958	—
Other comprehensive income .....		
Valuation difference on available-for-sale securities .....	(194)	—
Deferred gains or losses on hedges .....	115	—
Foreign currency translation adjustment .....	124	—
Share of other comprehensive income of associates accounted for using equity method .....	4	—
Total other comprehensive income .....	49	—
Comprehensive income .....	9,008	—
Comprehensive income attributable to owners of the parent .....	8,298	—
Comprehensive income attributable to minority interests .....	710	—

### 3. Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	Nov 1, 2010- Oct 31, 2011	Nov 1, 2009- Oct 31, 2010
<b>1. Shareholders' equity</b>		
<b>Capital stock</b>		
Balance at the end of previous period	6,882	6,882
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	6,882	6,882
<b>Capital surplus</b>		
Balance at the end of previous period	7,782	7,782
Changes of items during the period		
Disposal of treasury stock	0	—
Total changes of items during the period	0	—
Balance at the end of current period	7,782	7,782
<b>Retained earnings</b>		
Balance at the end of previous period	40,105	37,660
Changes of items during the period		
Dividends from surplus	(778)	(778)
Net income	8,300	3,384
Change of scope of consolidation	31	(161)
Total changes of items during the period	7,553	2,445
Balance at the end of current period	47,658	40,105
<b>Treasury stock</b>		
Balance at the end of previous period	(2,521)	(2,521)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(2,522)	(2,521)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	52,248	49,803
Changes of items during the period		
Dividends from surplus	(778)	(778)
Net income	8,300	3,384
Change of scope of consolidation	31	(161)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Total changes of items during the period	7,552	2,444
Balance at the end of current period	59,801	52,248

(Millions of Yen)

	Nov 1, 2010- Oct 31, 2011	Nov 1, 2009- Oct 31, 2010
<b>2. Accumulated other comprehensive income</b>		
<b>Valuation difference on available-for-sale securities</b>		
Balance at the end of previous period	4,559	401
Changes of items during the period		
Net changes of items other than s'hldrs' equity	(194)	4,158
Total changes of items during the period	(194)	4,158
Balance at the end of current period	4,364	4,559
<b>Deferred gains or losses on hedges</b>		
Balance at the end of previous period	(84)	(2,173)
Changes of items during the period		
Net changes of items other than s'hldrs' equity	77	2,089
Total changes of items during the period	77	2,089
Balance at the end of current period	(6)	(84)
<b>Foreign currency translation adjustment</b>		
Balance at the end of previous period	(1,291)	(599)
Changes of items during the period		
Net changes of items other than s'hldrs' equity	115	(691)
Total changes of items during the period	115	(691)
Balance at the end of current period	(1,175)	(1,291)
<b>Total accumulated other comprehensive income</b>		
Balance at the end of previous period	3,184	(2,370)
Changes of items during the period		
Net changes of items other than s'hldrs' equity	(1)	5,555
Total changes of items during the period	(1)	5,555
Balance at the end of current period	3,182	3,184
<b>Minority interests</b>		
Balance at the end of previous period	2,051	626
Changes of items during the period		
Net changes of items other than s'hldrs' equity	553	1,425
Total changes of items during the period	553	1,425
Balance at the end of current period	2,605	2,051
<b>Total net assets</b>		
Balance at the end of previous period	57,484	48,059
Changes of items during the period		
Dividends from surplus	(778)	(778)
Net income	8,300	3,384
Change of scope of consolidation	31	(161)
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	—
Net changes of items other than s'hldrs' equity	551	6,981
Total changes of items during the period	8,104	9,425
Balance at the end of current period	65,589	57,484

#### 4. Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>	
	Nov 1, 2010 – Oct 31, 2011	Nov 1, 2009 – Oct 31, 2010
<b>I. Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests .....	13,584	5,199
Depreciation and amortization .....	1,908	1,545
Amortization of goodwill .....	147	146
Gain on negative goodwill .....	(39)	(632)
Increase (decrease) in allowance for doubtful accounts .....	(4)	(6)
Increase (decrease) in provision for bonuses .....	621	5
Increase (decrease) in provision for directors' bonuses .....	94	0
Increase (decrease) in provision for retirement benefits .....	605	188
Increase (decrease) in provision for directors' retirement benefits .....	14	35
Increase (decrease) in provision for repairs .....	(112)	84
Interest and dividends income .....	(492)	(485)
Equity in (earnings) losses of affiliates .....	(186)	(238)
Foreign exchange losses (gains) .....	60	2,209
Interest expenses .....	15	23
Loss (gain) on investments in silent partnership .....	70	—
Loss (gain) on redemption of securities .....	—	98
Loss (gain) on sales of investment securities .....	(3,181)	201
Loss (gain) on valuation of investment securities .....	—	53
Loss (gain) on sales of property, plant and equipment .....	—	(7)
Loss on retirement of property, plant and equipment .....	79	89
Loss on adjustment for changes of accounting standard for asset retirement obligations .....	361	—
Other loss (gain) .....	76	(15)
Decrease (increase) in notes and accounts receivable-trade ....	2,146	480
Decrease (increase) in travel advance payments .....	(3,038)	(3,565)
Decrease (increase) in other assets .....	(312)	(506)
Increase (decrease) in notes and accounts payable-trade .....	1,328	2,475
Increase (decrease) in accrued consumption taxes .....	(489)	300
Increase (decrease) in accrued expenses .....	61	(22)
Increase (decrease) in travel advances received .....	5,908	7,286
Increase (decrease) in other liabilities .....	1,037	(15)
<b>Subtotal .....</b>	<b>20,266</b>	<b>14,930</b>
Interest and dividends income received .....	473	532
Interest expenses paid .....	(12)	(23)
Income taxes (paid) refund .....	(2,262)	(1,227)
<b>Net cash provided by operating activities .....</b>	<b>18,464</b>	<b>14,212</b>

	<i>Millions of Yen</i>	
	Nov 1, 2010 – Oct 31, 2011	Nov 1, 2009 – Oct 31, 2010
<b>II. Net cash provided by (used in) investing activities</b>		
Payments into time deposits .....	(22,719)	(6,946)
Proceeds from withdrawal of time deposits .....	9,681	3,284
Purchase of short-term investment securities .....	(1,250)	(212)
Proceeds from sales of short-term investment securities .....	—	2,024
Proceeds from redemption of securities .....	262	1,559
Purchase of property, plant and equipment and intangible assets .....	(4,889)	(2,449)
Proceeds from sales of property, plant and equipment and intangible assets .....	4	13
Purchase of investment securities .....	(330)	—
Purchase of stocks of subsidiaries and affiliates .....	(1,193)	(337)
Proceeds from sales of investment securities .....	3,601	527
Proceeds from redemption of investment securities .....	1	211
Proceeds from sales of stocks of subsidiaries and affiliates .....	—	0
Purchase from purchase of investments in subsidiaries resulting in changes in scope of consolidations .....	—	2,771
Payments of loans receivable .....	(1,489)	(1,702)
Collection of loans receivable .....	256	871
Payments for transfer of business .....	—	(10)
Payments for guarantee deposits .....	(517)	(731)
Proceeds from collection of guarantee deposits .....	417	2,189
Other, net .....	17	(45)
<b>Net cash provided by (used in) investing activities .....</b>	<b>(18,147)</b>	<b>1,019</b>
<b>III. Net cash provided by (used in) financing activities</b>		
Decrease in short-term loans payable .....	—	(211)
Repayment of long-term loans payable .....	(983)	(108)
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 .....	(61)	(52)
<b>Net cash used in financing activities .....</b>	<b>(1,843)</b>	<b>(1,166)</b>
<b>IV. Effect of exchange rate change on cash &amp; cash equivalents .....</b>	<b>(358)</b>	<b>(2,774)</b>
<b>V. Net increase (decrease) in cash &amp; cash equivalents .....</b>	<b>(1,884)</b>	<b>11,291</b>
<b>VI. Cash &amp; cash equivalents at beginning of period .....</b>	<b>46,340</b>	<b>35,070</b>
<b>VII. Increase in cash &amp; cash equivalents from newly consolidated subsidiary .....</b>	<b>414</b>	<b>91</b>
<b>VIII. Increase (decrease) in cash &amp; cash equivalents resulting from change of scope of consolidation .....</b>	<b>(166)</b>	<b>(113)</b>
<b>IX. Cash &amp; cash equivalents at end of period .....</b>	<b>44,703</b>	<b>46,340</b>

## Segment Information

### Current Fiscal Year ended October 31, 2011

(Millions of Yen)

	Travel business	Hotel business	Theme park business	Subtotal	Other businesses	Total	Eliminations & Corporate	Consolidated
Net sales								
(1) Sales to outside customers	365,447	2,169	13,130	380,746	58	380,805	—	380,805
(2) Inter-segment sales / transfers	205	67	244	517	—	517	(517)	—
Total	365,652	2,236	13,374	381,264	58	381,322	(517)	380,805
Segment incomes (losses)	10,022	(25)	989	10,985	24	11,009	(1,602)	9,407
Segment assets	63,618	8,120	12,015	83,754	8,333	92,087	46,930	139,018
Others								
Depreciation and amortization	1,037	297	252	1,587	23	1,610	289	1,899
Investment in equity method affiliates	81	—	—	81	3,277	3,359	—	3,359
Increase in Property, plant and equipment and intangible assets	947	40	787	1,775	2,239	4,014	946	4,960

### Previous Fiscal Year ended October 31, 2010

(Millions of Yen)

	Travel business	Hotel business	Theme park business	Subtotal	Other businesses	Total	Eliminations & Corporate	Consolidated
Net sales								
(1) Sales to outside customers	340,455	2,070	5,512	348,038	27	348,065	—	348,065
(2) Inter-segment sales / transfers	64	92	57	214	—	214	(214)	—
Total	340,519	2,162	5,570	348,252	27	348,280	(214)	348,065
Segment incomes (losses)	7,769	(22)	(113)	7,632	26	7,659	(1,380)	6,278
Segment assets	62,822	6,979	9,348	79,149	279	79,429	41,125	120,555
Others								
Depreciation and amortization	753	291	44	1,089	1	1,090	447	1,538
Investment in equity method affiliates	72	—	—	72	3,096	3,168	—	3,168
Increase in Property, plant and equipment and intangible assets	1,139	126	441	1,707	—	1,707	859	2,566