



*For the peace
 Much experience
 Meet so many people*

H.I.S. CSR Report

2015

Corporate Social Responsibility Report



H.I.S.
 Love, Peace, TRAVEL

Through tourism, we increase the knowledge of people around the world and contribute to the advancement of world peace and mutual understanding beyond national, racial, cultural, and religious boundaries.



Editorial Principles

This report serves the function of not only presenting our implementation of CSR to our stakeholders, but also acting as a medium for promoting communication with you.

ISO 26000 was used as a checklist for CSR implementation, and we declared that an organization's social responsibility shall rest on the seven core subjects. Furthermore, we used the Sustainability Reporting Guidelines 2006 as a reference for reporting on the three areas of social, environmental, and economic sustainability.

Scope and Time Period

[Scope]

Scope is the H.I.S. Group, and indications have been made when information is not covered by this scope.

[Time Period]

Full year ending October 2014 (November 1, 2013 – October 31, 2014)

Indications have been made where information is not covered this time.

[Publication]

January 2015

[Guidelines Used for Reference]

ISO 26000: 2010 (Guidance on Social Responsibility) First Edition

GRI (Global Reporting Initiative): Sustainability Reporting Guidelines Third Edition (G3.1)

Disclaimer

Numbers in the graphs and charts appearing in this report have been rounded up and thus may conflict with total values. Furthermore, some portions of the previous years' data have been revised due to scope expansion and revised calculation methods.

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We continue to keep on moving as a future creation company that contributes to the advancement of mankind and world peace.

Chairman

Hideo Sawada



Travel can encourage mutual understanding among people in the world and contribute to world peace. With this belief, I established H.I.S. and have kept on moving in order to deliver fun and excitement to many people. Currently, the world faces various problems. However, travel can provide you with a lot of awareness by letting you go to a place and have contact with live information there. In this sense, travel belongs to a communication industry that plays a great role in solving such problems. We, especially Asians, have come to an age when many people can casually enjoy traveling abroad. H.I.S. already has a wide network of branches in 60 countries in the world, and by making the best use of this, we would like to be a travel agency that contributes to these countries as a reliable partner in this new Age of Exploration. For this purpose, we are planning to establish a cutting-edge communication center in Huis Ten Bosch that further closely links H.I.S. Group branches all over the world. Making full use of advanced information-communication technology, we will manage and operate intergroup communication more swiftly and efficiently and enhance

our service quality.

In order to achieve a rich future, we will continue our trials without settling for the status quo even for a moment. I myself, while taking the lead in the group, have been continuing various trials aiming at developing Huis Ten Bosch into a tourism business city.

A smart hotel will open in July 2015, which aims to be the most advanced and productive hotel in the world by introducing a face-authentication system and service robots. If smart hotels are built all over the world in the future, we will be able to provide more fun and comfortable travel to a lot of people. And I believe that the most advanced robot technology and environmental and energy-saving technology used here will contribute to the advancement of future industries and society. At Huis Ten Bosch, we will also focus on efforts on healthcare in order to explore solutions for problems that this aging society is facing.

The H.I.S. Group will continue our challenge as a future creation company that contributes to the advancement of mankind and world peace.



Contributing to mutual exchange and local development via the travel industry

Representative Director, President

Akira Hirabayashi

The travel industry creates new values and mutual understanding

The travel industry has enormous importance for society because it introduces participants to foreign lands, natural environments, histories, and cultures, and thereby is a business that creates new values and mutual understanding based on deep exchanges among people. Based on this perception, we have kept on moving as a company that provides not only safety and security but also Waku-waku: the thrill, entertainment, and amazement, without being influenced by established practices or stereotypes.

World demand for travel is expanding. Especially in Asia, such as China, Thailand, and Indonesia, many people have come to enjoy travel. The number of travelers to Japan also has drastically increased. It exceeded 13 million in 2014 and is expected to reach 20 million in 2020 when the Olympics will be held in Tokyo and to 30 million in the more distant future. The entire travel industry will become further vitalized, and the roles that the industry should fulfill will get larger.

Rich overseas branch network and flexible flight route setting change our travel

Based on such an increase in visitors to Japan and

the expansion of travel demand within Asia, it is one of H.I.S.'s important missions to provide safe and secure and exciting travel. We implement various new measures and make every effort to maximize our customers' satisfaction on a daily basis. And we would like to contribute to the vitalization of communities in the destination areas and promote people's mutual exchange and understanding.

A huge base for this is our rich overseas branch network. We already have a network spreading to 60 countries, 126 cities, and 184 branches in the world*, and especially in Asia, we have as many as 22 branches in Thailand, 14 in Indonesia, and 9 in Vietnam. Additionally, we have flagship stores in Cambodia, Singapore, and Hong Kong, where we support customers who plan to travel by achieving a more satisfactory journey as we do in Japan.

And Asia Atlantic Airlines (AAA), which is the H.I.S. Group's airline company specialized in the international charter business, carries visitors to Japan from Asian cities to local cities of Japan that have no regular flights in service, making good use of its flexibility in setting travel routes unique to an international charter service. By letting Asian customers know the attractions of many tourist sites in Japan, we will also be able to encourage exchange in Japanese cities and vitalize their local economies and thereby can contribute to the government's local creation. In addition, we will be able to carry Japanese customers directly from domestic local cities to Asian cities, letting you enjoy overseas travel more casually.

Travel plans created by and information transmitted from recipient tourist sites

In addition to the enrichment of overseas branches and international network, we, aiming at letting you know the attractions of Japanese cities and tourist sites, have strengthened the local-area oriented sightseeing business where recipient tourist sites plan and sell travel products.

Through the creation of travel products and information provision by people who know well about the site, we can provide more satisfactory travel to customers visiting Japan from Asian countries.

In November 2014, H.I.S. established H.I.S. ANA Navigation Japan Co., Ltd. (HANavi), a new joint company with ANA Sales Co., Ltd. With products using ANA's domestic flights with 51 cities and 115 routes, we sell not only travel products that focus on larger cities but also those incorporating the attractions of various local areas and promote them internationally using the H.I.S. overseas network.



Creating a working environment that supports rich ideas and growth

The advent of the age of great transfer and exchange of people mainly in Asia requires new trials. Through the development of unprecedented business models, information provision at tourist sites using IT, and other efforts, we need to deliver travel products that have Waku-waku: the thrill, entertainment, and amazement, along with safety and security.

To do this, it is important to create a pleasant work environment where everyone can fully display their skills and achieve huge growth via their work. While further enriching our stratified and screening-based internal training systems, we will conduct new measures including the creation of the H.I.S. venture system and the establishment of the Sawada Keiei Dojo (Management School) where H.I.S. workers will be able to receive lessons directly from our founder Mr. Sawada. Through these, we actively support our employees' growth.

Under the corporate philosophy of "through tourism, contributing to the advancement of world peace and mutual understanding beyond national, racial, cultural and religious boundaries," we will continue our efforts of doing future-creating work as a company that advances the society. We are looking forward to receiving a constant support and encouragement from our customers.

*As of the end of January 2015

The shape of travel drawn by **H.I.S.**

The age has come when many people can freely and casually enjoy overseas travel. The purposes of travel also are changing: not only visiting tourist spots or historic sites but also getting to local culture or local people's life. Now that travel contributing to the advancement of world peace and mutual understanding beyond national, racial, cultural and religious boundaries, which is the H.I.S. corporate philosophy, is valued, we will continue to suggest new shapes of travel.

Achieving mutual exchange and local vitalization with the H.I.S. local-area oriented sightseeing business

The major characteristic of the local-area oriented sightseeing business is that people who have a life base in the destination area plan and sell products based on the latest detailed local information. Therefore, your trip will be more enriched with various experiences and learning that can hardly be provided by general tours. In addition, through the expansion of the tourism industry in the destination areas, this business greatly contributes to their local vitalization and generates deeper exchanges between visitors and local people. By finding and developing contents that can effectively show the local attractions, communication involving not only people engaged in the travel industry, but also local people, is generated. Via unique contents, we can increase opportunities for direct contact between local people and visitors that enable deeper mutual

exchanges. The rich branch network of H.I.S. inside and outside Japan is a major dynamic for promoting this local-area oriented sightseeing business.

International charter flights operated by Asia Atlantic Airline (AAA), an H.I.S. Group company, supports realization of this new shape of travel. From January to March 2015, it ran 42 two-way charter flights connecting various regions of Japan and Asia: from Thailand to 15 Japanese airports, including Komatsu, Matsuyama, and Kagoshima, and from 15 national airports to Singapore, Siem Reap (Cambodia), and Bali (Indonesia). Running direct flights to local airports that have no regular international flights from overseas greatly supports the local-area oriented sightseeing business and makes it easier for local people to go overseas and further increases their opportunity to enjoy overseas travel.

Routes of Asia Atlantic Airlines connecting various areas of Japan and Asia



Local-area oriented sightseeing business and vertically-integrated business

What is local-area oriented sightseeing business?

Organizations and travel agencies of the destination area (arrival place) transmit local information and create travel products that introduce visitors to their unique climate and culture, history, specialties, and unknown sights. The sales of travel products are also conducted via the area's call center. While travel products planned at the departure place tend to be stereotypical, this approach can generate richer-in-variety products.

What is a vertically integrated business?

For travel, you need not only a travel agency that provides information and sells travel products at the departure place but also an air carrier in charge of transportation, accommodations, and travel support at the arrival place. H.I.S. has all of these inside the group in order to provide travelers with smooth coordination from integrated travel services at reasonable prices.



We create more attractive travel with our group's unique synergy effect

The H.I.S. Group can produce a huge synergy effect by having branches inside and outside Japan, air carriers, hotels, and theme parks. By sharing customer information inside the group, we can provide services that are higher in quality and meet your needs more in an integrated way, realizing efficient schedules, reasonable prices, and coordinated customer services, which are our major advantage to customers.

Image

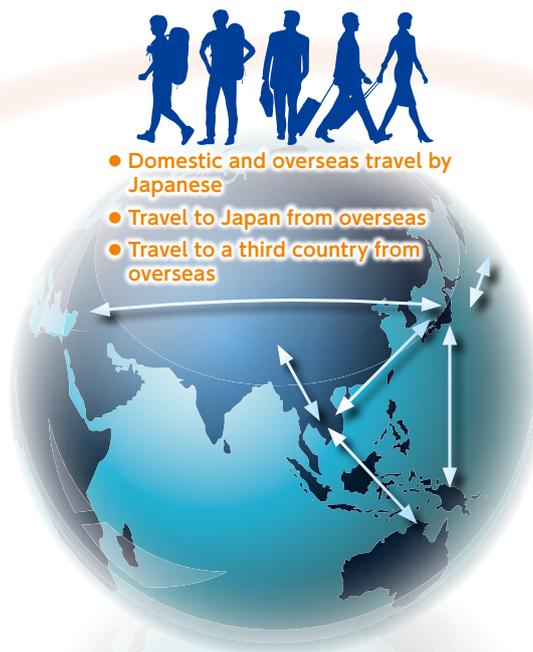
▶▶ Travel business



▶▶ 九州産交グループ



▶▶ Hotel business



Synergy effect

▶▶ Transportation business



Air carrier specialized in international charter business, which provides flexible route setting

▶▶ Theme park business





Feature
Special
Talk

Senior Advisor, H.I.S. Co., Ltd.

CEO, Motherhouse Co. & Ltd.

Kazumasa Namekata × Eriko Yamaguchi

Meeting of customers and our staff who realized that traveling will lead to the creation of a new brand and new values.

CEO & Designer,
Motherhouse Co. & Ltd.
Eriko Yamaguchi

Born in Saitama Prefecture in 1981. Graduated from Keio University Faculty of Policy Management. Completed Master of Development Studies at BRAC University in Bangladesh. In 2006, she established Motherhouse Co. & Ltd. that produces high-in-quality and well-designed bags made with jute (fiber). She currently has 15 shops in Japan and 5 in Taiwan.

Creating a world-class brand from a developing country

Namekata: Why did you make the company Motherhouse?

Yamaguchi: I originally got involved with Bangladesh, not on business but on international cooperation. However, as I witnessed the reality of international assistance there, I felt something odd about many things. Even if they graduate from a university, they have no proper job. There were movements toward providing jobs, but they were simple labor of manufacturing mass products with low wages like in China. Although Bangladesh is called the poorest country, I thought it would be necessary to make something with added value unique to the country.

Then I started to make bags using jute, which is called the Golden Fiber in the country. Believing in the possibilities of Bangladesh and its people, I established Motherhouse with the goal of making a world-class brand from a developing country.

Namekata: But you had a hard time at an earlier stage, didn't you?



Y a m a g u c h i :

Some factory staff dodged work, while others clung to their own way and couldn't improve the quality...yes, that was really hard at the earlier

stage.

Namekata: How did you solve it?

Yamaguchi: I just had to show them how hard I myself was working with a dream. This is unchanged even now; it's me who first goes to see it when we've got a new material, and it's me who makes a fuss most when a defective product is found. I think they took the hint from that attitude of mine. We are small, so it might be easier to make the team united. Although gradually, factory personnel have come to see the same dream as mine. Recently, they ask me questions like "What kind of thing will we make next?" and "When will we open a shop in Europe?" I think our possibility is expanding more and more.

Namekata: So people were moved by your diligent attitude. The way you work hard is educational to them. Actually, I think your staff trusts you very much. I felt it there and was impressed.

Yamaguchi: What is important is to share a viewpoint. If they are taught that Japanese ways are correct, they don't believe it. I would rather ask them, "I want to do this, but I can't. How should I do it?"

Bangladesh Tour that started in 2009

Namekata: In March 2009, H.I.S. started Bangladesh Tour that visits Motherhouse's factory, which will soon mark the 20th time. Do you remember how it started?

Yamaguchi: I established Motherhouse in 2006. So that was three years after that, when our business seemed to finally start to get on track. However, back then, it still was said in Japan that the tag of Bangladesh would

bear a negative impression. So I wanted to let people see the possibilities of Bangladesh and how and who make things at the factory and how strictly we manage production.

Namekata: We at H.I.S. are involved in the travel business because we believe that travel can connect people and generate mutual understanding. And as a part of this, we plan study tours that focus on learning. So when I came to know about Motherhouse, I thought I wanted to hold a tour for them. I myself joined it when it started.

Yamaguchi: I got very excited to know that we would have visitors from Japan.

Our staff changed by seeing visitors' face.

Namekata: After the tour started, how did your people change?

Yamaguchi: It's the purposes of working. Photos taken with H.I.S. customers motivate their making things, and words exchanged with them are precious memories for them. Some staff members are still exchanging letters with tour participants. Most of all, the rate of defective products decreased drastically. Currently, the motivation for our staff is customers.

Namekata: Looking back at their fresh experience, some tour participants say that their sense of values changed by seeing people living diligently in the harsh reality of Bangladesh while others find what they want to do. Some people even question their way of living and change their job or start their own business.

Yamaguchi: What I myself felt in Bangladesh was the power of living. There, we are questioned if we are living as our actual selves.

Brand is something you create with your customers

Namekata: I remember that participants told your staff what kind of bag they wanted.

Yamaguchi: Yes, that was very good. If we hear customers saying that they need a pocket to carry a cell phone, it's persuasive. Making things because we are persuaded and because we are said to do so produce a very different result in the quality of the finished product. In the first place, our stance is that we create a brand together with customers. We want them to see the scenes behind bag manufacturing and

participate in it to make a brand simultaneously. And we want them to enjoy the process as well. It's customers who know the quality and who decide



on the quality. In order to satisfy these customers, we make things diligently -- I believe that a brand is a value that is created together by customers and the producer.

What I've been keep on trying

Namekata: What is your current objective?

Yamaguchi: What I've been wanting to do since the establishment is to hand down handcrafts made by people living in developing countries in a form matching the current age. We are now making plant-dyed bags in Nepal, so I want to get it on track.

Namekata: As your company grows in scale and has more shops and staff members, you need to take care more of the managerial side, right?

Yamaguchi: I once thought that bottom-up management is important for an organization. But when I think which is better: extending my hand to unsatisfied people with careful bottom-up management or leading them from the front to unfold willing people's possibilities, I thought I should go out and leave bottom-up management to executives. That I stay true to myself is the most important asset of the company. It's significant that I always keep on trying, and this is precisely the spirit of Motherhouse.

Namekata: H.I.S. also is continuing trials.

Yamaguchi: Why don't we hold a Nepal tour? I want customers to see plant dyeing and experience it from picking up of the raw materials on the mountain. It should be an exciting tour.

Namekata: There is a branch of H.I.S. there. Let's think about the tour plan.



Let's make the only eco-bag in the world at Motherhouse's factory!

Five days in Bangladesh -- finding the possibilities of a developing country Depart on March 20 (Fri)

Departure/arrival at Narita/KIX/Fukuoka: 258,000 - 268,000 yen

The price is for one adult, when using one room by two people, and includes a fuel surcharge
The tour price includes a fuel surcharge equivalent to 34,000 yen (approved as of June 2014).

※In addition to the displayed price, you need to pay domestic airport charges and foreign airport taxes (8,590 yen as of July 2014).

※Please contact us for information about the tour during or after April 2015.



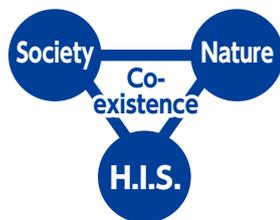
HIS Study

検索

Corporate Philosophy and CSR

We implement CSR based on the corporate philosophy and charter of corporate principles.

In the H.I.S. Corporate Philosophy and the H.I.S. Charter of Corporate Principles, the social mission of our business and its significance is defined clearly. This philosophy should be the basis for all decision-making and corporate behavior and should be accepted, thoroughly reinforced, and upheld through every situation. To this end, all staff, including foreign staff, are given a pocket-sized credo card describing the H.I.S. Corporate Philosophy, H.I.S. Charter of Corporate Principles, H.I.S. Policy, H.I.S. Service Standard, and the H.I.S. DNA to carry with them at all times and to support conscientiousness during their daily work activities.



Moreover, we have made it a steadfast rule that some parts of the credo be recited at all morning assemblies of each department, branch, and sales office, and that it be reflected upon by all staff on a daily basis.

H.I.S. Corporate Philosophy

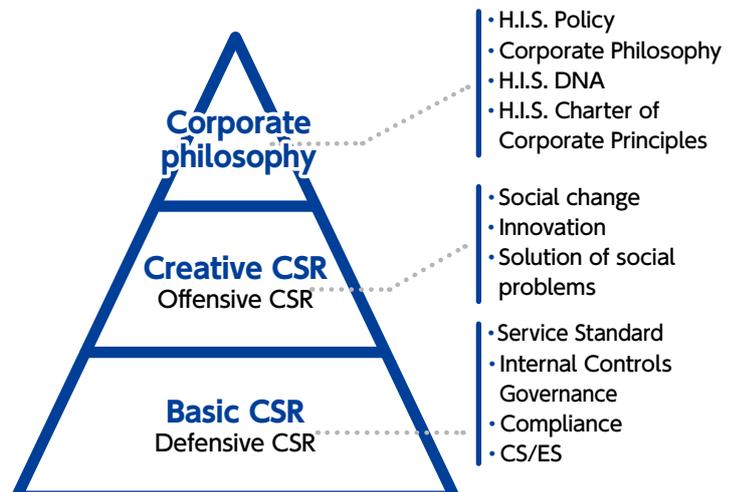
Through tourism, we increase the knowledge of people around the world and contribute to the advancement of world peace and mutual understanding beyond national, racial, cultural, and religious boundaries.

H.I.S. Charter of Corporate Principles

1. Provide valuable travel products and services to society
2. Lead fair, transparent, and free trade
3. Handle and disclose information properly
4. Secure a comfortable and safe workplace environment
5. Coexist with the local community
6. Preserve the global environment
7. Hope for world peace
8. Accomplish the responsibilities as executive officers

Creative CSR and Basic CSR

H.I.S. has divided CSR implementation into categories of creative CSR and basic CSR. Basic CSR incorporates social responsibilities into its work process, such as our customers' safety and security, employee health and motivation, respect for human rights, and compliance activities such as fair trade. On the other hand, Creative CSR is social innovation in that we take what we learn from our customers and community and use it to cooperate with various stakeholders in creating greater social value. In other words, it includes tourism development for regional promotion and regional development, the inheritance of local traditional cultures, promotion of cultural exchange and international peace, conservation of the global environment, and the popularization of eco-study tours.



CSR Promotion Policy and Structure

In order to actively promote CSR, we have been maintaining our system.

CSR Promotion Policy

H.I.S. has carried out its business operations based on the H.I.S. Corporate Philosophy and the H.I.S. Charter of Corporate Principles and incorporated social responsibility into the core of its business management. However, although CSR is actively conducted respectively by employees, branches, and sales offices in our corporate culture where their autonomy is highly valued, information has not been transmitted widely enough within the company as well as to the society. In 2012, we started integrated CSR activities throughout the company, and have been publicizing our CSR report from 2013 in order to deepen communication with our stakeholders.

Additionally as a member of JATA*, we promote social contribution activities held by JATA.

*Japan Association of Travel Agents

UNWTO* Global Code of Ethics for Tourism

The Code prescribes tourism's contribution to mutual understanding and respect between peoples and societies; tourism as a vehicle for individual and collective fulfillment; tourism, a factor of sustainable development; tourism, a user of the cultural heritage of mankind and contributor to its enhancement; tourism, a beneficial activity for host countries and communities; and the obligations of stakeholders in tourism development. Right to tourism; Liberty of tourist movements; Rights of the workers and entrepreneurs in the tourism industry.

H.I.S. agreed with and signed the code in September 2014.

*United Nations World Tourism Organization

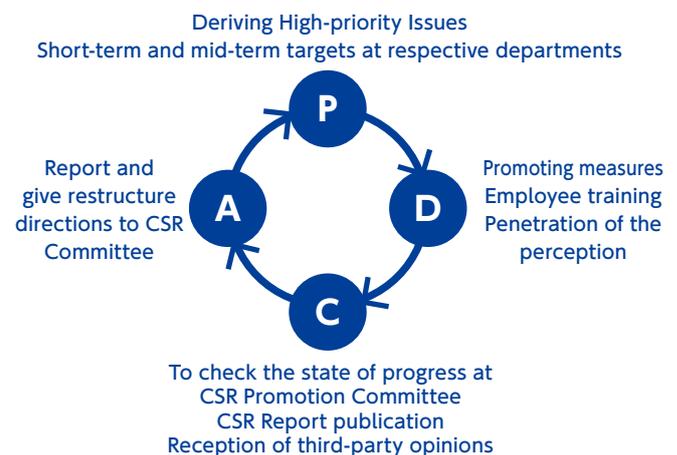


CSR Promotion Structure Readiness

At H.I.S., we have constructed a highly mobile and transparent corporate management structure based on the H.I.S. Charter of Corporate Principles to use as a decision-making system. As the committee chairperson, the president established a CSR Committee in 2012. Under the committee, we formed a CSR Promotion Committee consisting of the heads of human resources, general affairs, CS/ES Administrative Headquarters, sales and marketing, overseas branches, etc.

In fiscal year 2014, we held a monthly CSR Promotion Committee meeting, where we confirmed the H.I.S. priority issues that had been picked up based upon ISO 26000 as a checklist and confirmed the status of implementation of each department's short and medium target for such issues, thus conducting activities involving the PDCA cycle. Additionally this year, we posted roughly 100 staff in charge of CSR at our domestic and overseas branches in order to strengthen

the system of CSR promotion. In fiscal 2015, we will further strengthen our awareness promotion within the company.



From CSR Department

The CSR Department was established in 2012, which constitutes the starting point of cross-company CSR activities. In 2014, we issued the second CSR report and made efforts to diffuse CSR perception to staff. From now on, we intend to expand and upgrade our CSR activities through strengthened public relations inside and outside the company and the establishment of the promotion system and aim to enhance our corporate brand.

01 Corporate Management

The travel business conducted by H.I.S. aims to contribute to the promotion of world peace and mutual understanding. In order to uphold such social responsibilities and become a corporation in which our stakeholders can have faith, we are incorporating CSR promoting activities in our corporate governance structure.

Corporate Governance

Under the shareholders, we have set up a Board of Directors and a Board of Auditors. The Board of Directors, made up of nine directors (including one external director), makes decisions on important tasks and oversees execution of operations by the directors. The Board of Auditors, made up of three auditors (including two external auditors), monitors the Board of Directors and ensures that the directors' activities are legally sound. Among the auditors selected and appointed at the regular shareholders' meeting held in January 2015, one fulltime auditor was the first female officer in our company. Additionally, we register one outside director and two external auditors as independent officers who are appointed by the Tokyo Stock Exchange.

Furthermore, we have the Auditing Office directly under President as an internal audit department. By internally auditing whether or not corporate affairs are properly conducted in accordance with company rules, we ensure that our businesses are always proper and sound.

We enhance the sense of compliance among employees by thoroughly familiarizing them with the H.I.S. Policy, H.I.S. DNA, H.I.S. Charter of Corporate Principles, and our behavior guidelines via the internal-information website. At the same time, we have set up the Opinion and Counseling Box, an internal reporting counter operated by Work Environment Improvement Office, and the Counseling Hotline, an external consultation service in order to safeguard corporate transparency.

Internal Control System

For securing of reliability of financial reports, which is an important purpose of internal control along with securing of effectiveness and efficiency of operations, we have visualized the important work process related to financial reports, which is necessary with the Financial Instruments and Exchange Act that requires the submission of a report on internal control. We also have been operating the scheme to make a

proper confirmation and evaluation so that no false reporting will occur. We also have been promoting internal-control system for the rapidly expanding the entire group as well, while valuing the respective companies' management autonomy and corporate culture, aiming at enhancing the effectiveness of internal control as an entire group.

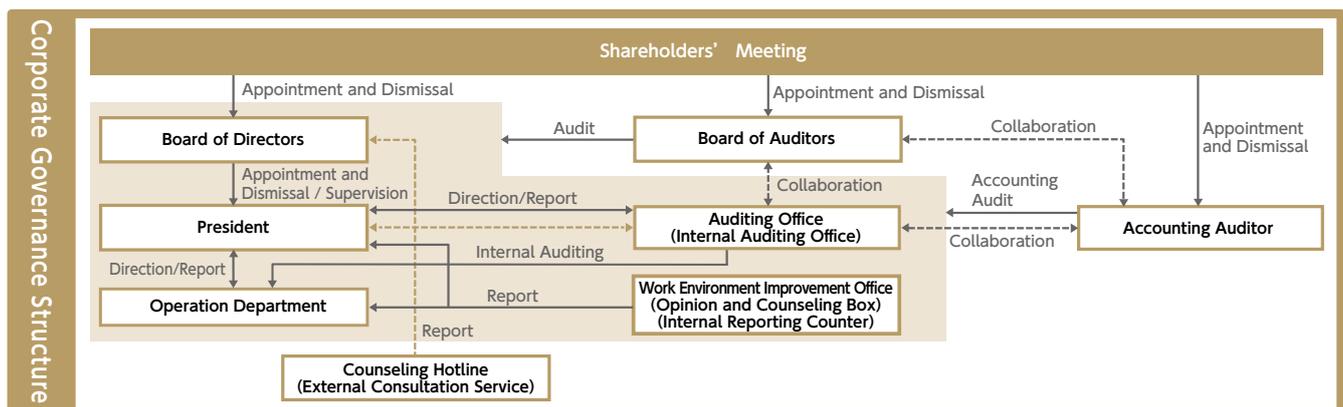
Promoting Risk Management

In order to make clear the management policy of financial risks, which are some of the significant risks, we wholly revised the Financial Risk Management Rules in November 2013 to reinforce the operation.

Additionally, as for risks related to information management, we conduct internal education and promote awareness in order to prevent insider transactions in accordance with the Rules on

Information Management and Insider Transaction Prevention and Rules on Information Disclosure.

Furthermore as for the handling of personal information, which is one of the risks involved with business activities, we renewed the registration with the PrivacyMark in June 2014 and had all the employees reconfirm the rules on the handling of personal information aiming to continuous management activities on personal information.



02 Consumer Issues

We heighten standards of safety, security, and service for higher customer satisfaction.

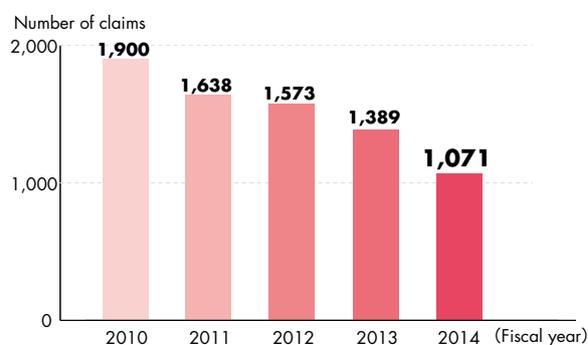
Higher customer satisfaction is always an important concept for H.I.S. We are working to make that concept a reality by providing world-class services, running safety-first business operations, and employing the system that compiles customer feedback and promptly applies it to improvements.

Goals and Accomplishments

Fewer Claims Filed at Customer Service Department

Complaints filed at our Customer Service Office have decreased over the years. In FY 2014, we had 1,071 claims, 318 complaints less than the previous year. Compared to FY 2010, there was a decrease of roughly 43%. For this fiscal year, we will further strengthen our training and educational activities and intend to enhance customer satisfaction more.

● Shift in the number of complaints filed at Customer Service Office



FY 2015 Target Attain 80% in the satisfaction level of people who have made a reservation in the after-coming-home survey

Applying the H.I.S. service standard overseas

In an effort to establish shared standards and improve customer service, we instituted the H.I.S. Service Standard and have been working to impress it upon all our staff. It is available in 25 languages, and has been applied to all business activities in each of the 184 offices around the world, intending to provide direction on our service standard.

Training is carried out domestically by the Personnel Department and by the CS/ES Administrative Headquarters in our overseas offices, aiming at firmly establishing the H.I.S. Service Standard.

We have prepared a service manual that uses moving pictures (approximately 30 minutes), which has been distributed to all overseas branches in order to improve the service quality of overseas personnel in charge of the guide business. Regarding the way to accept customers and carriage of guidance, this manual is practical and easy to learn. In FY 2014, we made a new Complaint Response Manual and Complaint Prevention Manual. Additionally, we improved Customer Service Basic Manual by adding photos and illustrations in addition to text aiming at making it easier-to-understand for foreign guides as well, and conducted training based on it.



Image from the service manual

H.I.S. Service Standard Eight Keywords

- Smile and Liveliness
- Cleanliness
- Politeness
- Speed
- Customer Orientation
- Honesty
- Quality
- Professionalism

At CS/ES Administrative Headquarters, we have the Quality Control and Market Research Department along with the Customer Service Office. While the Customer Service Office directly responds to demands from customers, the Quality Control and Market Research Department mainly works on the quality management of products and safety issues so that we can ensure safe travel to customers.

[Efforts by a bus company in Shanghai]



In February 2014, the Nice Travel Laboratory Quality Control and Market Research Department visited and inspected a bus company hired by the Shanghai Branch to check their state of implementing measures to provide safe and secure travel to customers. Additionally, they invited local guides and provided the Guide Training Based on Service Standard.



They have their own maintenance factory for swift and good maintenance.



Vehicles are equipped with GPS cameras.



One of the (two) bus companies ranked AAA by the government. An opinion-exchanging meeting for safety and security was held on the day.



A scene of guide training. At the branch, such training sessions are held regularly based on compliments and advice/opinions from tour customers.



Management of a running bus' location and speed is conducted using GPS. Cautions and direction to drivers are also given based on this.

interview

To see customers' smile

In my daily work, I always think about how to make customers enjoy traveling. Although there were several problems in these few years, our job always is to let customers enjoy safe and secured

fun travel at any time. China is rapidly developing, and we always have to keep on studying. I'll continue to do my job with persistent efforts and passion.



Winner of the 34th Most Excellent Guide Award
Yi Hongyu
Shanghai Branch

03 Community Participation and Community Development

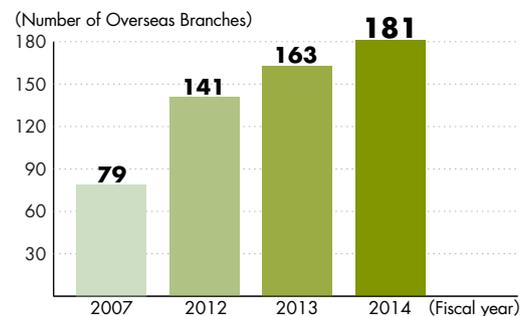
We strive toward a harmonious community and a better collective future.

The travel business introduces participants to foreign lands and the opportunity to experience unknown natural environments, histories, and cultures, thereby is a business that creates new values and mutual understanding and promotes community development.

Achievements and Goals

H.I.S. has been contributing to the development of overseas economy and culture in areas such as local employment, and the development and cultivation of tourism resources. In recent years, visa for traveling to Japan from Indonesia, the Philippines, and Vietnam was drastically eased; with maximum validity period of multiple visa extended to five years and maximum visit duration extended to 30 days. In accordance with the increase of travel demand in foreign countries, H.I.S. has increased foreign branches and employment. By developing the branches in a locally rooted way and expanding the scale of their travel business, we contribute to the mutual understanding of the world people and to the vitalization of local communities.

● Shift in the number of overseas branches



FY 2015 Target Increase the number of overseas branches to 200

Contributing to the advancement of local communities with “study tour”

As in the H.I.S Corporate Philosophy, our desire to “through tourism, increase the knowledge of people around the world, and contribute to the advancement of world peace and mutual understanding beyond national, racial, cultural, and religious boundaries” is manifest in its business development. More specifically, we proposed a new style of travel that is “free travel” and developed unique travel products. In following such a tradition, now we have created a new type of travel called a “study tour.” Through this tour, you communicate with people around the world, consider regional and social issues based on a global standpoint, and think about how to solve these issues together, thereby contributing to the advancement of local communities as well.

Although having spread mainly among young people, in recent years, the study tour is popular among from children to elderlies and is used for corporations’ employee trip and schools’ educational



tour. Participants come home having gained knowledge or a formative experience. Now we even hold exchange sessions and study sessions among tour participants, promoting community formation among customers outside the travel field. Based on a concept of studying through travel, H.I.S. introduces more customers to unprecedented “added values.”

interview

In India, I want to increase customers enjoying travelling.

I’m from India, and am working for H.I.S. in Japan as a trainee. My dream is to expand H.I.S. in India where economic growth is significant, and let more customers enjoy travelling. And by increasing branches in India, I want to contribute to the expansion

of employment in local communities and foster global workers who can communicate with staff of H.I.S. branches all over the world. With Japanese way of serving customers, I want to create many travelers in India.



H.I.S. Shinjuku Head Office
Joshi Naveen
Chandra

Promotion of local-area oriented sightseeing

Against the background that travelers' needs are more diversified and sophisticated, such as communication with local people and learning, H.I.S. has been developing local-area oriented sightseeing, aiming at making travel more attractive and meaningful. In this local-area oriented sightseeing, local people of the destination area propose attractive travel using their information and planning ability unique to those who know well about the place. H.I.S., utilizing its rich network inside and outside Japan and local staff, proposes non-conventional travel plans. At overseas, we develop homegrown human resources who can create travel products that use their country's attractions and can cause impact on the local economy. Domestically, we will set up a call center and planning base for the local-area oriented sightseeing in order to create new values of travel realized by three parties of H.I.S., customers and local people. Additionally, the bases for local-area oriented sightseeing have been contributing

to employment creation by expanding local recruit, and employees there are working actively in travel planning, arrangement and advertisement using local information.

Agricultural experience at one of the 100 best rice terraces of Japan Rice producing at a terrace surrounded by the four seasons

You will experience agricultural work at Onakao-machi rice terrace in Nagasaki Prefecture that was chosen one of the 100 best rice terraces. You can have season-specific experience such as rice planting in June, mowing in July, rice reaping in September, threshing and milling in October. Furthermore, this popular tour comes with harvested rice (2kg) delivered to your home in autumn.



COLUMN

Study Tour Operation

What is study tour?

It's a tour aiming at learning through travel (to a local community) in order to create sustainable future society.

Purposes of study tour

Volunteering	International exchange	Studying social issues and fostering solution skills	On-site investigation / fieldwork
Educational/ medical assistance	Environmental preservation/ protection	Environmental education / nature experiential study	Promotion and awareness-raising of world peace
Assistance for a disaster area	Solving poverty	International cooperation	Support and awareness-raising for the activities of NPO/NGO

Exchange at Cambodian Orphanage Tour



Cleaning at an orphanage with children

It's a learning volunteer tour where you exchange with children in an orphanage in Cambodia and teach them Japanese language, lifestyle, culture, music, PE, crafts, etc. It also has

an enriched program of visiting ruins such as Angkor Wat, Angkor Thom, and Ta Prohm. By visiting the factory of NPO Kamonohashi Project, you will also learn the status and problems of poverty in Cambodia. And you can deepen bonds among participants through a briefing session before departure (Mae-tabi) and a reunion session among participants (Ato-tabi).

Six days in Bangladesh of studying about Grameen Bank



Receiving explanation at a Grameen Bank branch

It's travel to experience the philosophy of Grameen Bank that was awarded the Nobel Peace Prize and study about the system of microcredits.

You actually go to the site and join a meeting with people who will get a loan. You will deepen your understanding by directly listening to how people have improved their living by getting a loan and making a home visit. You will also get onto urban issues by visiting a school in a slum. You will write and submit a report in English on what you have felt through visiting Grameen Bank Headquarters and your own ideas.

H.I.S. participates in various communities inside and outside Japan and conducts activities for their development.



CSR activities in Japan

Events at Shinjuku Headquarters

● Events to introduce cultures of various countries

Mainly on weekends, we are holding events to introduce the music, traditional arts, and food culture of various countries, such as Vietnam, India, Sri Lanka, Myanmar and Brazil. The shop aims to be not only a place for reserving a trip but also a place where people can feel the excitement of travel.



Shinjuku Headquarters event team



Serving drinks in ao dai

● Social contribution & barrier-free promotion event

Under the title of "That's why I go on a trip," we called for realization of a society where everyone could live safely and securely and enjoy travel through a demonstration of an assistance dog supporting a disabled person, a live performance by a blind violinist Yusuke Anazawa, sign-language manzai (two-man comedy) by Owari-to consisting of an employee of us with hearing disability and his friend, and other activities.



We had a cooperation by Guide Dog & Service Dog & Hearing Dog Association of Japan

Continuing implementation of Dream Class (Yumesen)

H.I.S. has sponsored the JFA Heart Project, Dream Class (Yumesen), since 2013 based upon our view that both sports and travel give dreams to people. Yumesen is an event in which an active or retired player of soccer or other sports, as a Yume Sensei (Dream Teacher), tell children how wonderful it is to have a dream and how important it is to make efforts. After the events, participants write their own dreams on paper, which the teacher will send back after putting comments on it in their own hand. Encouraging comments from the teacher who has realized a dream by continuous effort will support the dreams of each family.



Advertisement leaflet of Yumesen

Overseas CSR activities

Tradition-support projects

Indonesia To support the preservation and succession of traditional cultures of Bali, we are conducting various projects, including the production of a DVD that tells the philosophical ideas of the shadowgraph artist Sija, supporting the preservation/succession of the Legong traditional dance of Peliatan village, and fostering successors of legendary Joged Pingitan classical dance.



Balinese traditional dance

Tour of visiting a village where staff members are from

Laos The Luang Phabang Branch plans and sells an optional tour called Narikiri Mon-musume (Becoming a Girl of the Mon) that visits a village where local staff members are originally from. Through sightseeing, they back up the maintenance and vitalization of a local community that preserves traditional way of living.



Children of the Mon

Implementation of internship

Vietnam The Ho Chi Minh Branch accepts more than 30 university students and individual interns a year. We provide many students an opportunity to work overseas and learning Vietnamese culture.



Working with local staff

Acceptance of Japanese on-the-job trainees

Brazil Agreeing with the promotion of exchanging young people between Brazil and Japan by Associação Nipo-Brasileira de Intercâmbio, we have decided to accept Japanese on-the-job trainees at our Sao Paulo Branch for one year from FY 2015. Through this, we will contribute to the mutual understanding and exchange promotion between the two countries.



Scene of training

5 km charity run & cleanup

Hawaii We held the charity event Lea Lea Charity Run & Cleanup 5K in 2014 as well in November, which started under the co-hosting with Hawaii Senior Life Enrichment Association, and had 271 participating runners. The entry fees are continuously donated to Rainbow for Japan Kids, a project encouraging junior-high-school students who suffered from the Great East Japan Earthquake.



Lea Lea Charity Run & Cleanup 5K held in November

Co-sponsoring Quest Education Program

We are co-sponsoring the one-year career education program Quest Education Program (QUEST), where about 10,000 high school (and other) students from 70 schools nationwide work as corporate interns. By fostering future leaders, we are contributing to educational sites and local communities. This activity also promotes the social significance of travel provided by H.I.S.'s business, which contributes to mutual understanding beyond national, racial, and cultural boundaries as well as character formation by experiencing the diversities of the world.



Quest Cup held in February 2015

Exhibition at Tourism EXPO Japan, one of the world's largest travel events

We conducted virtual-reality briefing sessions using a special scope that projects a 360-degree panorama, a live link with overseas branches, a lot drawing over travel prizes, and other activities. The three-day event attracted about 160,000 visitors.

Backing young people who go on a travel

Collaborating with Tabippo, an organization that consists of people who have experience of a round-of-world trip and encourages more young people to go on a travel, we started a web media *Tabifure!* and conducted such projects as Solo Travel Going With Others.



World Journey Festa, the largest open-air travel festival in Japan themed on travel



H.I.S. ran a booth as well.

04 Human Rights

Toward Corporate Management that Renounces Discrimination and Respects Human Rights

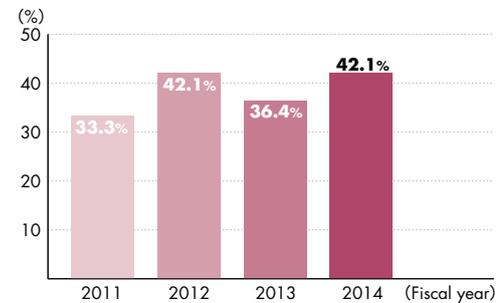
H.I.S. strives to, in all of its corporate undertakings, protect human rights and renounce discrimination based on race or citizenship, sex, age, beliefs or religion, and the presence or absence of disabilities, and sustain a fair and positive workplace environment. H.I.S. has been striving to create a human-rights-first work environment, although human rights involve many issues.

Achievements and Goals

Ratio of Human Rights Related Consultations at Counseling Hotline

As part of the internal control system to ensure proper work practices, H.I.S. has an external fraud hotline, Counseling Hotline, a system for corporate transparency, and early warning against compliance violations. Every year we receive about 20 reports on average. In 2014, we received 19 reports, and of the content of the reports, the percentage of human rights-related ones, including power harassment, has declined to 42.1%. In order to further reduce the number of reports, we will continue to strengthen training measures for executives on power harassment, sexual harassment, and labor issues.

Ratio of Human Rights Related Consultations at Counseling Hotline (%)



FY 2015 Target Reduce the ratio of human rights-related consultation numbers

Creating a Workplace Environment that Protects Human Rights

As part of the H.I.S. Charter of Corporate Principles, we advocate that “we secure a comfortable and safe workplace environment,” and declare that “we respect each other’s personality and uniqueness.

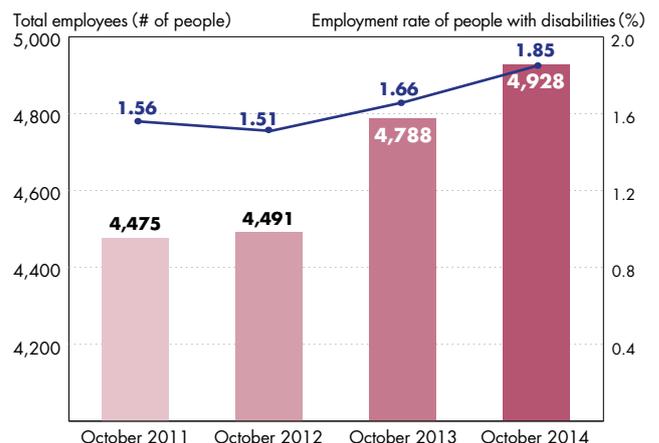


Travel-itinerary making at the Kumagaya Giveaway Center

Also, we draw a line between public and private matters, maintaining fairness in our work environment and prohibiting any unpleasant conduct. Working environments should be clean and safe, pleasant and vigorous for everyone.” Specifically, we have opened an out-of-the company window for reporting, the Counseling Hotline in July 2003, thus making efforts to find and solve compliance-violating activities including the violations of human rights. In an effort to actively hiring handicapped people, we have also opened Gotemba Support Center and Kumagaya Giveaway Center, and from FY 2014, we newly started hiring at district headquarters. As a result, the employment rate of handicapped people in FY 2014 increased to 1.85%. We aim at achieving 2.0% as soon as possible through

measures such as diversifying contents of business, increasing the volume of tasks to be handled by them, and enhancing matching via acceptance of on-the-job training from special-needs schools. Additionally and in order to further promote the development of a workplace where human rights are valued, we will enhance the awareness toward power harassment and sexual harassment inside the company, based on which we then will regularly provide training programs.

Employment rate of people with disabilities



Sign-language Travel Friends established by hearing-impaired staff



Barrier-free Travel Desk was set up in 2002 so that disabled people and the elderly with limited physical strength can enjoy travel more safely and

comfortably. Travel specialists who have a certification of care welfare will remove their anxieties about travel and provide support. Meanwhile, we are active in disabled people's employment as well. Koichi Katagiri, who has auditory disability and joined us in 2002, was originally doing backward clerical work but was transferred to the Barrier-free Travel Desk later. He currently is very active there, using his own experience and skill in sign language.

Katagiri not only introduces customers to travel products guided with sign language and promotes planning of travel products that people with an auditory disability can enjoy, but also attends the travel as a special tour conductor. He has drastically changed hearing-impaired people's travel, which was not very satisfying to them because they needed to write for communication, or even when there was tour guidance by a sign-language interpreter, they couldn't ask for minor needs of travel because he/she was not a tour conductor.

After having guided many tours and through direct conversations with customers, he established a brand called Shuwa-tabi Nakama (Sign-language Travel Friends), and the number of registered members has already exceeded 600. Although many of the



A tour visiting Mongol

communities among disabled people are limited, such as classmates from deaf schools, this system provides them with new encounters through the community of travel. In a tour visiting Mongolia, participants enjoyed Mongolian wrestling with hearing-impaired people in Mongolia, and in Turkey, participants visited a deaf school for interaction. Through such visits by Sign-language Travel Friends, people with the same disabilities in destination countries can have an awareness of such free overseas trips. So, this community is letting disabled people around the world have confidence by traveling, and carrying a message to encourage their independence.



At the Angkor Thom ruins

interview

In want to provide disabled people with a new world through travelling

I have a hearing problem and use sign language, but I can almost understand what the others say as well. Using this ability, I'm working on the innovation of barrier-free travel. For example, I obtain in advance what the guide will say during the sightseeing and write it in the leaflet for the travel participants so that they can

concentrate on looking at the scenery; and I assign longer times for dining because participants have to put knives and forks on the table to have a conversation. I want to support disabled people not only in Japan but also all around the world to enjoy travelling and become independent in an active and confident manner.



Barrier-free Travel Desk
Koichi Katagiri

05 Labor Practices

We aim to create the working environment where there is job satisfaction and everyone can demonstrate their abilities.

At H.I.S., we ardently pursue the creation of a workplace environment where the entire staff can fully express their individuality and competence and make great efforts in nurturing a workforce that can take on the world.

Achievements and Goals

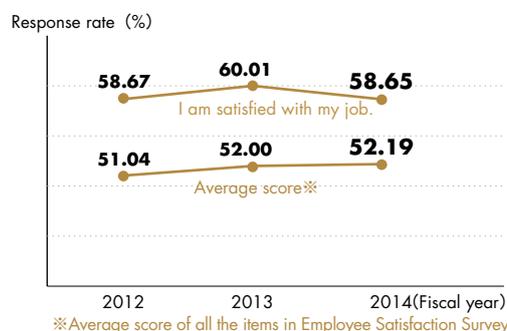
About the average score and job satisfaction in the Employee Satisfaction Survey

At H.I.S., in order to confirm the trend of employee satisfaction (ES) and enhance it, we regularly conduct an employee satisfaction survey containing more than 50 items. According to a survey conducted in 2014, the average score of all the items was 52.19%, which represents an increase by 0.19%, while the response that “I am satisfied with my job” decreased by 1.36% to 58.65%. We continue to aim at achieving the target.

FY 2015 Target

Promote good work-Life balance and aim at significantly enhancing it.

● Transition in Employee Satisfaction Survey



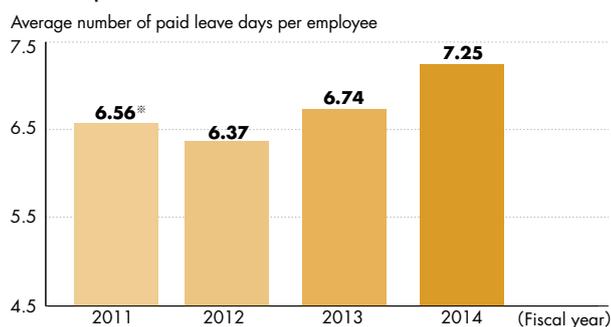
Working Environment

Our major corporate responsibility is to create a comfortable and fulfilling working environment and provide each individual with a fair opportunity to grow. Regarding paid leave, in serious consideration of its low consumption ratio at around 40%, we have further enhanced measures to improve the usage. For example, we have introduced Anniversary Leave, which is a one-day leave that can be chosen by employees on their birthday, wedding anniversary, or other memorable day, and we also extended the summer vacation from five days to six days.

Furthermore, we expanded the application of employee discounts to partners* as well to make the system more accessible. As a result, the number of paid leave days obtained in FY 2014 increased to 7.25.

*Partners: Our jargon referring to part-time workers

● Used paid leave rate



Childcare Support

At H.I.S., where 63% of the employees are female, it is indispensable to enrich support systems for working mothers.

In the Mom Dad Choice, if you take parental leave, it is possible to extend the leave for one year in addition to the one-year normal leave (for full-time employees who have worked three years or longer.)

We also grant a short workday policy until April 30 of the year that a child enters elementary school, which is much longer than the average policy term.

Furthermore, for those who continue working full-time after the birth of their child, we provide financial support for extended daycare and babysitting fees. And for staff who are raising three or four children under 18 years of age, we have a “Happy 66” system that allocates 5,000 yen per month for the 3rd child and 50,000 yen per month for the 4th child (660,000 max/year).

In accordance with the increase of employees using Mom Dad Choice, it also is our challenge to secure a workplace that is pleasant for those who work under the short workday policy. As a solution to this, we are currently considering developing shops that are different in style from our existing ones and allowing them to work at home, as new ways of working.

Human Resource Development

At H.I.S., it is our policy to provide all staff opportunities for personal development and growth.

In FY 2014, we newly introduced two training programs. One is Sub-conductor Training, in which participants accompany tour conductors on travel to learn tour conductorship, and at the same time understand the needs from customers by actually experiencing H.I.S.'s tour products. The other is Overseas Business Training, in which participants gain new career experience by dealing with customers at overseas

branches and working on reservation and arrangement there. Furthermore, as for open recruitment from overseas, the system has been changed in FY 2014 so that you can select the destination.

And from the viewpoint of human-resource development, we will continue to use the system of recruiting excellent human resources regardless of the country, global evaluation system, and the system where new employees can freely choose their starting month.

PICK UP

Workplace Enhancement Department

Workplace Enhancement Department, as an organization that aims at improving the satisfactory level of all the H.I.S. staff, has been set up under the CS/ES Administrative Headquarters and working on various efforts.

Enrichment of Staff Meetings

We increased the number of staff meetings, where the president, executives, and employees directly exchange their opinions aiming to enrich this opportunity. The meetings were respectively held under classification

such as young employees in their second or third year after joining H.I.S., employees supporting a sales office as a deputy manager, and female sales-office manager, and they directly communicated their on-site problems and demands to executives. Participating responsible persons and executives discussed and injected their ideas together, aiming at solving them on the spot, and produced a lot of results.



From Favorability Ranking to Thanks Bank

The existing system of sending a message of thanks from an individual sales-office worker to an individual head-quarters worker has been renewed to an interactive system in which messages can be sent from headquarters to sales offices. By also adding the function of giving points according to the number of thanks, we will develop it into a company-wide Thanks Bank evaluation system. Through this, we will shed light on our staff from various angles.

interview

Aiming to be a department that is more approachable for consultation

One year has passed since I was assigned here, when I declared that I would listen to workers' voice 10 times more than before. Although what I realized is small, I think I have established system and atmosphere that are more approachable for consultation gradually. Aiming at shedding light on shining

staffs, the number of staffs we introduced on a portal site was five times as large as that of last year. I'd like to introduce more people to show you who work hard where and how, and also through the new Thanks Bank I'd like to realize a workplace where the phrase of Thank you is often heard.



Workplace Enhancement Department,
CS/ES Administrative Headquarters
Chiaki Otani

06 Fair Operating Practices

Worldwide Promotion of Fair Business Operations Founded on H.I.S. Charter of Corporate Principles

At H.I.S., we aim to thoroughly ensure compliance with laws and regulations, social norms, and ethics, and have established the H.I.S. Charter of Corporate Principles. Moreover, in order to apply these principals globally, we provide the training, inspection, and guidance required to suppliers at our overseas offices.

Achievements and Goals

Conducting more focused training programs

As the travel needs of customers diversify, the range of services provided by H.I.S. is also expanding. Based on this, we are conducting more focused training programs by classifying them according to the product type such as free travel, hotel, optional tour, online website, advertising, and tour.

FY 2015 Target Hold training for tour conductors



Manuals used for training

Establishment of Fair Trade Relations

The slogan for the second principle of the “Charter of Corporate Principles” is to “lead fair, transparent, and free trade” and clearly states the following:

“When providing travel products and services to our customers, or purchasing and receiving services from others, we lead fair, transparent and free trade by firmly standing against any unhealthy or corrupt business practices.”

We believe that all staff thoroughly recognizing these principles of behavior is the foundation for realizing fair business practices. In conjunction with our own quality control standards, through compliance education and training, we aim to ensure that all trades formed between countries and regions are always healthy relationships.

With the revision of Subcontract Act (official name: Act

against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) in 2003, the scope of its regulation has been expanded to services including those that the travel industry offers. Whether to apply this Act is difficult to judge in some cases, therefore we have opened a portal site of our legal team on the intra-company network to post explanations related to the travel industry. That is made up of three parts, including explanations about the Subcontract Act, questions and answers, and simple checklists to judge whether the Act is violated.



Portal site of the legal team



The Value Chain Approach

When it comes to travel business at H.I.S., not only are numerous staff and business people involved in the creation and sales of travel products, but also the bus companies, hotels, restaurants, drivers, guides, and other businesses at travel destinations. In order to provide customers with high-quality services and value, we use the same training we use in Japan to teach staff and related personnel about laws and regulations, social norms, and ethics. The travel laws and regulations that are used in Japan are the most stringent in the world. We consider those levels standard and are working to bring our overseas offices up to the same level by embedding the basic principles of H.I.S. Charter of Corporate Principles as well. In order to achieve the objective, we have been conducting a research on whether they have had regular

training sessions, and employment and management policies focusing on human rights by using a collection of actual cases and manuals that are arranged by concrete business scenes, and role-playings. The manuals are revised and supplemented once every six months, and regular training is provided once a year for overseas-branch managers and twice a year for other businesses and local tour arrangement companies.

Furthermore, regarding bus operations and hotel accommodations, which are the bedrock of travel safety and security, we have developed a system of on-site inspection and checking based on checklists both in Japan and abroad. Our accommodations and bus partners are chosen strictly and fairly as a result.

PICK
UP

Quality Control and Market Research Department

Starting “Customer Eyes Project”

The “Quality Control and Market Research Department,” in conjunction with the “Customer Service Department” and “Workplace Enhancement Department,” works to provide higher quality products under the CSE/ES Administrative Headquarters.

More specifically, first we listen carefully to our customers, read all of their comment cards and online questionnaire responses in order to find concrete solutions to all the faults in our travel products, as seen through the eyes of our customers. We also conduct more than 1,000 mystery shopper investigations every year at the counter of our domestic shops, thus checking how each item of the service standard has been fulfilled. Results from these investigations are fed back to each shop, by which we have been trying to improve the quality of our services.

In FY 2014, we newly started the Customer Eyes

Project, in which we will review information on H.I.S. brochures and website with the other departments’ staff through the “eyes of our customers” to improve the contents. In concrete, based on customers’ survey which we receive after they have come home and other responses, we check from the standpoint of customers that the aforementioned tools are really easy-to-use for customers and are not made only with self-satisfaction. By doing so, we verify the quality of travel products that customers want, and try to meet their expectations.



Planning meeting for reviewing products

interview

I want to create travel products together with customers, seen from their viewpoint

H.I.S.’s responsibility is to aim at creating safe and secured and truly fun travel for customers at all stages of planning, marketing and tour operation. However, we can’t make high-quality products alone. Our knowledge, experience, and know-

how as a professional travel agency should always be reviewed from the viewpoint of customers. I want to make memorable great tours together with customers.



Quality Control and Market
Research Department,
CS/ES Administrative Headquarters
Izumi Seino

07 Environment

We are cultivating awareness and thoughts toward the environment and local problems through travel.

In light of impacts that our business gives to the environment, and aiming at establishing a sustainable society, H.I.S. has been conducting various “eco-tours” that nurture awareness and thoughts toward the global environment. At the same time, we focus on environmental preservation at every aspect of our corporate activities.

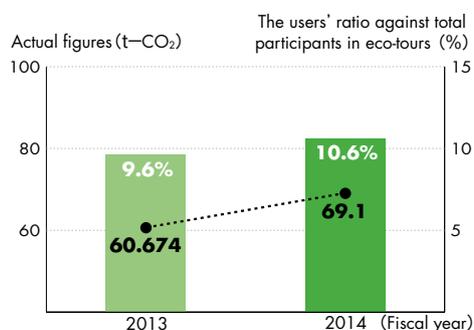
Achievements and Goals

Carbon Offset

Our appeal to cooperation for “carbon offset,” which started in October 2012, has resulted in an actual offset figure of 69.1t-CO₂ in a year from November 2013 to October 2014, and the ratio of its users against all participants of eco-tours has reached 10.6%. In FY2015, because the credits of India’s biomass business which we have purchased so far have maxed out (i.e. the amount of credits for the reduction of CO₂ generated by this business has reached to the planned frame, and we are not able to purchase them anymore), we switched to the credits of Brazil’s power business using wood chips with FSC certification* from November 2014, aiming at continuing to increase carbon offsetting which utilizes credits.

*It consists of two certification systems including the “Forest Management certification (FM certification),” which certifies that the forest is properly managed, and the “Chain of Custody certification (CoC certification),” which certifies that the wood material or wood-material product is from a forest certified for forest management, and is internationally operated by FSC (Forest Stewardship Council). (Source: Ministry of the Environment’s website)

Results of carbon offsetting



FY 2015 Target The users' ratio against total participants in eco-tours: 15%

Greenhouse Gas (CO₂) Reduction

We have planned various “eco-tours” as a way of conveying to as many people as possible the urgency of environmental issues and the need for preservation, and at the same time we started the scheme of “carbon offset” in which CO₂ emitted during travel is offset in October 2012. In FY2014, 10.6% of the total participants of eco-tours have offered to use this scheme.

Additionally in FY2014, in the eco-tour visiting Jomon-sugi cedar on Yakushima Island (World Natural Heritage), we implemented an effort of offsetting CO₂ generated from the local guide company’s courtesy cars. Furthermore, for the

materials of the nature-watching guidebook handed to the participants, we used stone paper made from lime rock which is more resistant to water and eco-friendly, instead of conventional general paper made from wood.



Yakushima Natural Environment Guidebook



Offsetting CO₂ from the courtesy cars

We are providing new eco-tours in cooperation with environmental preservation groups, etc.

Our “eco-tours” are available with a wide variety including trekking and mountain-climbing, which let you enjoy nature, and a visit to a local community where you watch wild animals and work on natural-environment preservation while communicating with local people. We have also started efforts for new eco-tours that promote sustainable tourism.

Experience co-living with the nature through watching and doing preservation activities of coral reefs



Shiraho area on Ishigaki Island where a variety of corals live

Japan’s Nansei Islands, spreading for about 1,300km from north to south, are the northernmost limit where hermatypic corals that build reefs live. There are various kinds of corals there comparable to the Great Barrier Reef, the world’s largest coral reef system.



Green-belt plantation activity around the agricultural area

The huge community of blue coral around the Shiraho area on Ishigaki Island especially is said to be one of the largest ones in the world, which spreads in front of you from the seashore. The islanders casually visit there and have been enjoying the blessing from it for their living. Preservation activities led by such islanders have been protecting the coral reefs from the development of New Ishigaki Airport (the location was changed due to opposition movement), and prevention of red clay outflow due to agriculture. Under the cooperation of a conservation organization WWF Japan and coordination with an NPO Natsupana, you will stay in a house of islanders who live with corals, and experience co-living with the nature and sustainable development through observation and preservation activities.

Conducting a survey for preserving sea turtles that are threatened with extinction on Yakushima Island



At Nagata Inaka Beach, a place of egg laying for Green Sea Turtle

Yakushima Island, known for Yakusugi cedar trees, is also a place where sea turtles lay eggs. Nagata Inaka Beach, which is the largest place in the Northern Hemisphere of egg



Measuring the carapace length of a sea turtle

laying for Green Sea Turtles, is a beautiful pure-white beach registered in the Ramsar Convention. Sea turtles come ashore at night for laying eggs during the egg-laying season of later April, and the hatched children go back to the sea from July to September. Currently, sea turtles are threatened with extinction. In this tour, participants conduct a survey for the preservation activities of sea turtles. What you will study differs depending on the season, but you will work as a volunteer with staff of NPO Yakushima Umigame-kan that holds preservation activities for sea turtles.

※The tour doesn’t aim at only watching sea turtles.

Experience the life of nomads and support the preservation of their nomadic culture



In front of a yurt against a background of magnificent nature

Visiting a yurt* where nomads actually live, you will build a yurt together, learn cutting up of a sheep, and eat traditional food together. Additionally, you will listen to the performance of matougin in grassland.

Currently in Mongolia, cities are getting more crowded due to the immigration of nomads to urban areas, causing serious environment deterioration such as air pollution. Because nomads want to continue their nomadic lifestyle if it's stable, this tour visiting and interacting with them contributes to the preservation and succession of the nomadic culture and even to the easing of environmental pollution in urban areas.



Experience the nomadic life

*Traditional portable dwelling used by nomads living mainly on the Mongolian Plateau

Stay with a farm family. Coming in contact with spiritually-rich life, you will also contribute to the elimination of poverty



Experiencing weaving

Bhutan is said to be a country that aims at having spiritually rich life rather than materially rich one. It is known that recently popular Gross National Happiness (GNH) is an index advocated by Bhutan first in the world. In this tour, you will stay with a farm family in Bhutan's agricultural village where a traditional way of living is still alive, and experience the life high in GNH.

Potatoes are produced at the Phobjika Village in central Bhutan where you stay, but harvesting is only once a year in summer. It therefore has been a villagers' long-standing challenge to secure cash income in winter. And tourism, such as homestay and tour guiding by local guides, contributes to the community vitalization and poverty elimination. The Japan International Cooperation Agency (JICA) and the Japan Environmental Education Forum (JEEF), which is an environmental education NGO, are promoting the development of locally-oriented tourism. H.I.S. is operating this tour to cooperate with them.



Homestay at the Phobjika village

Standing close to local communities and solving their problems

interview

"Study tour" and "eco-tour" are something that provides participants with various experiences unique to visiting local communities. However at the same time, I think they should be something contributing to the development of the destination area. By

further strengthening the viewpoint of using our tourism to stand close to local communities and solve their problems, we will create tours that make everyone happy under the cooperation among three parties of travelers, travel agency and destination areas.



Eco Study Tour Desk
Taku Sameshima

Operations by Each Group Company

Each company of the H.I.S. Group is strengthening its CSR management as ones also related to the travel industry. Huis Ten Bosch installs the most advanced, environmentally friendly technology such as solar power, ORION-TOUR is conducting tours to Kume Island and contributing to local vitalization, and Kyushu Sanko is ardently pursuing grass-roots volunteer activities.

ORION-TOUR CO., LTD.

The company is promoting Kume Island sightseeing and supporting development of the local economy

ORION-TOUR CO., LTD., operates a variety of domestic tours all over Japan. Of the tours, the most energy is being put into Kume Island, one of the remote islands of Okinawa Prefecture. Between April and September of 2014, Orion Tour had the greatest share of total direct flights between Haneda and Kume Island and flights between Naha and Kume Island.

On Kume Island, Okinawa's unspoiled, rustic scenery remains. There are multitudes of fascinating spots, including Eef Beach, which holds a place in the Best 100 Japanese Beaches, and Hateno-hama Beach, where you are surrounded by 360 degrees of ocean and have unparalleled scenery. One reason for its lack of popularity compared to other remote islands is its name value, so

Orion Tour planned special summer event tours to attract more visitors all year around. In addition to sightseeing, they are introducing the island's local products and actively supporting the vitalization of the island.

Furthermore, they are also actively planning events for other remote islands in Okinawa, make the islands more attractive to more people, and help develop the local economy.



Beautiful Beach in Kume Island

Kyushu Industrial Transportation Holdings Co., Ltd.

Focusing on social activities in coordination with local communities as a grassroots company group

Kyushu Industrial Transportation Holdings Co., Ltd., runs a local and highway bus business; domestic and international travel business; and hotel, restaurant, and stall business, which are all predominantly based in Kumamoto Prefecture. All of those businesses are directly connected to the residents, who are the foundation of community socially and economically, and it is thus that they operate their businesses based on the corporate philosophy of "Providing customer-based services that allow the customers to prosper with the community and contribute to the development of society."

As a member of the community, they have been doing various volunteer activities, which include park cleaning in the neighborhood of Kumamoto Transportation Center (bimonthly,) monthly cleaning around the Bus Business Office and annual cleaning activity along national roads as part of the Kumamoto City Fureai Beautification activities.

In addition, Kyushu Sanko Bus Co., Ltd., conducts visiting lectures for elementary school students on how to ride a route bus once or twice a year sponsored by Kyushu District

Transport Bureau, in addition to hosting original classes every year at local elementary schools.

Every year, Kyushu Industrial Transportation Landmark Co.,

Ltd., makes and installs bamboo lanterns at the Mizuakari community event as a set-up volunteer. Kyushu Industrial Transportation Tourism Co. has been actively accepting student interns and provides them with working experiences in its various workplaces.

We will continue contributing to local prosperity and social development by more actively deepening communication with local societies from now on.



Visiting lectures to instruct how to ride a route bus



Huis Ten Bosch Co., Ltd.

Enhancing Operations as a Next Generation Energy Park



1: Solar panels enabling large-scale solar power generation 2: Sewage plant that treats sewage within the premises
3: The common ditch for infrastructure arteries laid throughout the underground 4: Ten solar batteries installed within the premises

Huis Ten Bosch, authorized by the Japanese government as a Next Generation Energy Park, is enhancing its operations. The major installation is a Closed System of Production and Consumption that consummates energy supply and consumption within the park. A 1,500 kW solar-powered large-scale generator is already in operation. Additionally, with power generation using natural gas, we have employed a co-generation system that shares wasted heat from power generation and effectively uses it for heating and cooling. Further, sewage has been reused as splashing water and rinsing water for toilets after purified to 5 ppm, which is far below the administrative standard of 20 ppm.



Co-Generation System

Utilizing the field of Huis Ten Bosch where such eco-friendly efforts are conducted, and as part of Sasebo's Furusato Culture, Environment, Nature Experience Study, we have



A scene from Environment Experience Study

continued to hold the "Huis Ten Bosch Environment Experience Study" intended for 4th graders of elementary schools in the city. In the 13th study tour in FY 2014, about 977 students of the city's 22 schools participated, visiting places such as environmental facilities and solar-power generation facilities.

The last fiscal year, a smart house was completed (refer to P31). We also have entered into a new solar-power generation business (2.1 mega-watt scale) utilizing our idle land. And additionally in this fiscal year, we are planning to build the smart hotel using the most advanced technologies gained through the smart house, thus aiming at strengthening our undertaking of making the best use of natural environment-friendly renewable energies. Huis Ten Bosch intends to become a leading company in Japan as an environment protection-oriented company.

Forward-looking trials aiming to future urban environment

Future-oriented dwelling, the smart house

In cooperation with the Research Office of Messrs. Noshiro, Kawazoe, and Magori at Tokyo University's Production Technology Research Center and housing makers, we have completed a new smart house on our premises in an effort to create a place for various experiments and inspections. Almost all-electric consumption of this "future-oriented house" is provided by natural energies such as solar and wind powers.

■ Air-conditioning in hot/cold water circulating in the building

The smart house is a one-story hybrid-structured house that is built of steels combined with wood. The comfortable inner-room environment of this house is created not by air-conditioners but by radiant heating with metallic panels in which hot/cold water runs. This system is also used for structure body of the building.

■ Visualization of basic functionalities

Putting importance on residents' comfort of life, besides the visualization of electric energy produced by solar and wind powers, we have visualized basic functionalities needed for a house.

■ Verification of comfort of life

Various future energies such as solar and wind powers have been installed and experimented. Among them, magnetic-force power generation is an epoch-making invention, although still on an experimental stage for actual use. Magnetic-force power generation is a system that turns a generator using the suction power and repulsive force of a strong permanent magnet, which is really a future energy that is totally clean and semi-permanently usable.



Exterior of the smart house



There are solar panels equipped on the roof



Adjusting room temperature with circulating cold/hot water

Next-generation hotel, the smart hotel

A new project challenged by Huis Ten Bosch that seeks to become a tourism & business city is a "smart hotel" scheduled to open in July 2015. The hotel is a next-generation hotel that aims at obtaining the world-best productivity by using automation and robotization, and at the same time restrains its running cost to minimal through actively using regenerated energies.

■ Guestroom unit that utilizes local technologies and materials

Local technologies and materials are actively used for its room interiors. We aim at designing the room that has regional characteristics unique to Huis Ten Bosch by actively utilizing steel structure technology developed in conjunction with Sasebo's shipbuilding industry, and lumber produced mainly in Japan. These guestrooms are built as a basic measure, establishing a system that is also applicable to hotels on a global basis.

■ Use of renewable energies

We intend to use various future energies in the hotel including solar power generation and solar heat panels based on experiment results obtained from the smart house. The kind of usable natural energies and its efficiency will change according to construction locations. We aim at a high-efficiency hotel suitable to the location in accordance with its conditions.

■ New *omotenashi* (hospitality) using robotics

We will actively introduce services by robots, which makes it possible to substantially reduce personnel cost that accounts for a major part in hotel management. The objective of this trial is not just cost cutting, but also to seek the way the next-generation robot services should be used.



A service robot handling check-in



Spacious and expensive-looking guestroom



Guestroom unit utilizes local technologies and materials

Business Climate and Distribution of Value to Stakeholders

H.I.S. seeks sustainable development by strengthening bonds among customers, local communities and employees, and carefully preserving the environment and the world's cultural heritage. We believe it follows the expectations of our shareholders and investors and is the surest path to sustainable development.

Business Overview

By employing our network of 303 domestic branches and 184 branches in 126 cities abroad, we are building a theme park business, hotel business and transportation business in addition to our travel business. We will continue to strive for customer satisfaction and the supply of competitive products and services.

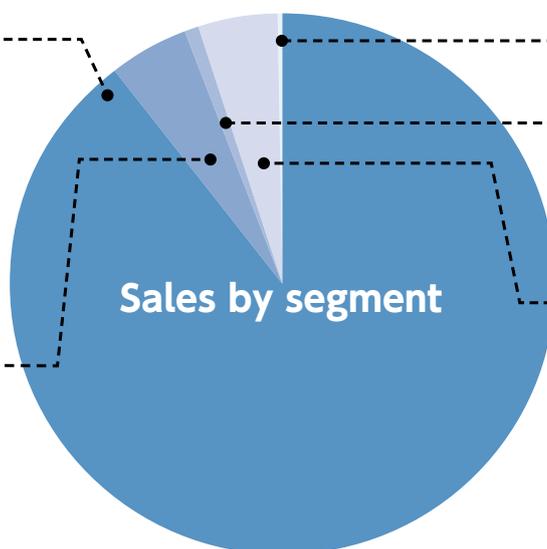
■ Sales by segment (FY 2014)

◆ Travel Business 89.5%

In addition to overseas travel from Japan and Japanese domestic tours, we also have been strengthening travel business at overseas. With a wealth of services and product lineups, we provide each and every one of our customers with the perfect trip.

◆ Theme Park Business 4.8%

We are operating Huis Ten Bosch, a theme park based on the concept of harmony with nature. We are engaging in various activities to make it Asia's most beautiful tourism & business city.



◆ Transportation Business 0.1%

We are operating hotels in Australia's Gold Coast and Brisbane, Sapporo, Nagasaki, and Guam.

◆ Kyushu Sanko Group 4.8%

Kyushu Industrial Transportation Holdings Co., LTD. has been operating mainly in Kumamoto in business areas such as local route bus, express bus, domestic and overseas travel business, and hotel and restaurant business.

Distribution of Value to Stakeholders

Sales expenses, administrative expenses, non-operating expenses, etc. were deducted from revenue gained through business operations (net sales - cost of sales) and the results were added value, which was distributed to stakeholders as follows.

Stakeholders	Amount (Millions of yen)	Content
Shareholder	1,167	Dividends
Employees	33,672	Total amount of salaries, wages, bonuses, and retirement benefit costs
Creditors (Financial institutions)	171	Interest expenses
Government agencies (national, local)	8,905	Total payment of corporate, inhabitant, and business taxes
Companies (Internal reserve)	7,947	Increase in retained earnings

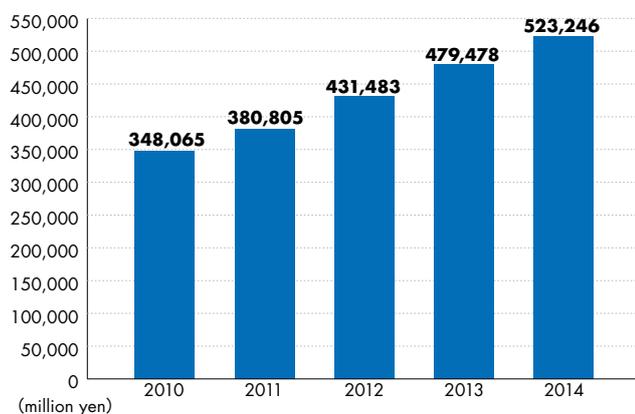
About fund-raising activities

H.I.S. has been performing fund-raising activities considering them as one of our social responsibilities. Results of FY 2014 were as follows.

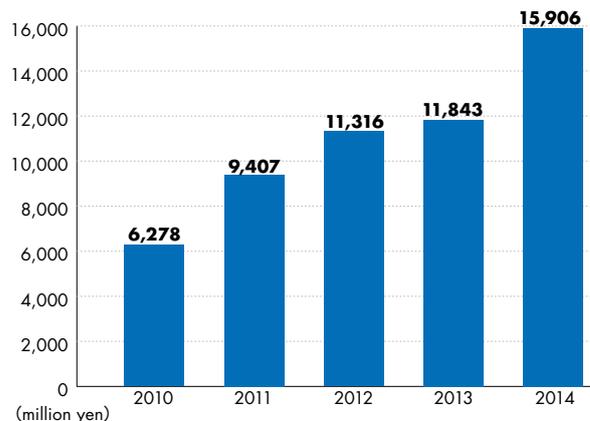
Itemized	Amount (Millions of yen)
International communication, cooperation	50
Culture, art	30
Local social activities	3
Sports	3
Education, social education	1
Others	5
Total	94

Performance Information

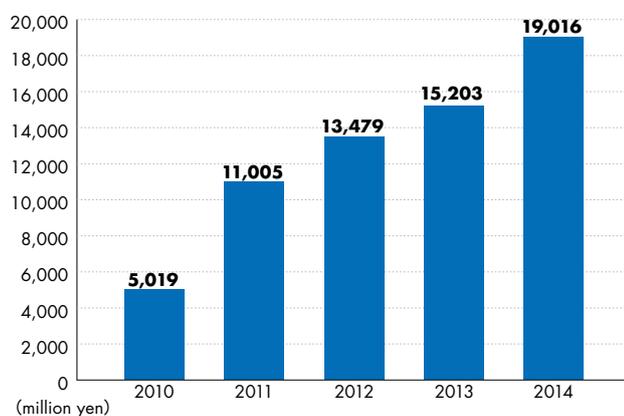
■ Net sales (Consolidated)



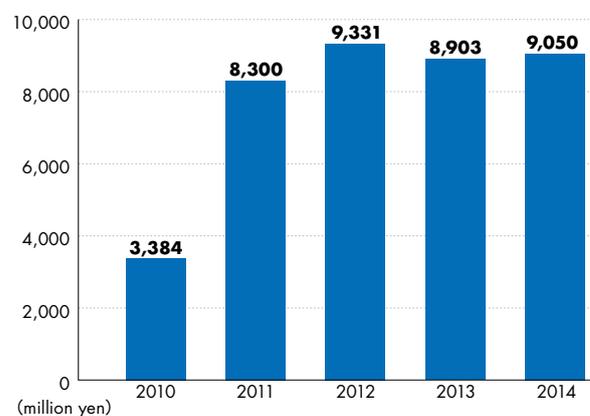
■ Operating profit (Consolidated)



■ Ordinary profit (Consolidated)



■ Net profit for the year (Consolidated)



Company Information

Name	H.I.S. Co., Ltd. (The first section of the Tokyo Stock exchange: Company Code 9603)
License No.	No.724 by Commissioner of Japan Tourism Agency
Capital	6,882 million yen (October 31, 2014)
Established	December 19, 1980
Address	Shinjuku Oak Tower 29F, 6-8-1 Nishi- shinjuku, Shinjuku-ku, Tokyo 163-6029 JAPAN
Net sales	523.2 billion yen (Consolidated financial results: fiscal year ending October 31, 2014)
Number of employees	12,723 (Group's total: October 31, 2014)
Affiliations	Japan Association of Travel Agents (JATA) International Air Transport Association (IATA)
Bank references	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Tokyo Tomin Bank, Ltd., etc.
Affiliate companies	[Travel business (66)] ORION TOUR CO., LTD [Hotels (9)] [Theme Parks (4)] Huis Ten Bosch Co., Ltd. [Other (22)] Kyushu Industrial Transportation Holdings Co., LTD.

Board of directors and corporate auditors	Chairman	Hideo Sawada
	Representative Director, President	Akira Hirabayashi
	Executive Director	Narimoto Kusahara
	Managing Director	Tatsuya Nakamori
	Director	Hikaru Wada
	Director	Shigeru Nakatani
	Director	Kiyoshi Takagi
	Senior Advisor	Kazumasa Namekata
	Director	Masahiko Hirata
	Corporate Auditor	Sonoko Sekida
	Auditor	Tsunekazu Umeda
Senior Officers	Auditor	Katsu Yamamoto
		Kiyoshi Takano Atsushi Yamanobe Masayuki Oda

January 29, 2015

※Masahiko Hirata is an outside director.

※Tsunekazu Umeda and Katsu Yamamoto are outside auditors.

ISO 26000 Core Subject Comparison Table

Core Subjects	Challenges	List of Operations	Pages
Corporate Management		Top Commitment	P.4~5
		H.I.S. Corporate Philosophy	P.10
		CSR Management	P.10~11
		Corporate Governance	P.12
Human Rights	Due Diligence	Counseling Hotline	P.20
	Human Rights Crisis Situation		
	Complicity Deterrence		
	Grievance Resolution	Counseling Hotline	P.20
	Discrimination and Socially Vulnerable People	Creating a Workplace Environment that Respects Human Rights	P.20
	Civil and Political Rights		
	Economic, Social, and Cultural Rights		
	Basic Principles and Rights Concerning Work	"Human Rights" All Pages	P.20~21
Labor Practices	Employment and Employment Relations	"Labor Practices" All Pages	P.22~23
	Working Conditions and Socially Secured Work	Working Environment and Child Care Support	P.22
	Social Communications		
	Health and Safety at Work	Working Environment	P.22
	Human Resource Development and Training in the Workplace	Human Resource Development	P.23
Environment	Pollution Prevention		
	Sustainable Usage of Raw Materials	Greenhouse Gas (CO2) Reduction Carbon Off set	P.26
	Climate Change Mitigation and Climate Change Adaptation	Greenhouse Gas (CO2) Reduction	P.26
	Environmental Protection, Biodiversity, and Recovering Natural Habitats	Eco-tour Operations Huis Ten Bosch	P.27~28 P.30~31
Fair Operating Practices	Corruption Prevention	Establishing Fair Trade Relations	P.24
	Responsible Political Involvement		
	Fair Competition	Establishing Fair Trade Relations	P.24
	Enhancement of Social Responsibilities in Value Chain	Value Chain Implementation	P.25
	Respect for Property Rights		
Consumer Issues	Fair Marketing, Unbiased Information Based on Facts, and Instituting Fair Contracts	"Consumer Issues" All Pages	P.13~15
	Consumer Health and Safety Protection	For Safer and More Convenient Travel	P.14
	Sustainable Consumption	CSR Implementation around the World Huis Ten Bosch	P.18~19 P.30~31
	Consumer Services, Support, and Claims and Dispute Settlement	Examples of Improvements Based on Customer Comments	P.14
	Consumer Data Protection and Privacy		
	Access to Essential Services	"Consumer Issues" All Pages	P.13~15
	Education and Awareness	For Safer and More Convenient Travel	P.14
Community Participation and Community Development	Community Participation	"Community Participation and Community Development" All Pages	P.16~19
	Education and Culture	Contributing to Community Development, Local-area Oriented Sightseeing	P.16~17
	Job Creation and Skill Development	Contributing to Community Development, Local-area Oriented Sightseeing	P.16~17
	Technology Development and Access to Technology		
	Wealth and Income Generation	"Community Participation and Community Development" All Pages	P.16~19
	Health		
	Social Investment	ORION-TOUR CO., LTD. / Kyushu Industrial Transportation Holdings	P.29

To further enhance CSR in the future and create higher-quality CSR reports, we invited Ms. Tatsumi and received third party opinions on December 25, 2014. Below is a summary of these.



Impressions of H.I.S. CSR Report



Corporate Advisor,
Nippon Association of
Consumer Specialists
Kikuko Tatsumi

I had the liberty of reading CSR Report 2015. First of all, I would like to rate it highly that you have continued to issue these reports since 2013 and are working actively on CSR activities.

I have read all of these reports since 2013. This year, I found your Corporate Philosophy of “Through tourism, we increase the knowledge of people around

the world, and contribute to the advancement of world peace and mutual understanding beyond national, racial, cultural, and religious boundaries” firmly reflected in your concrete business activities and their evaluation; and that you are steadily expanding your activities into the branches all over the world. That these things are included in the report itself is your commitment. In the future as well, I would like you to implement commitments outward.

These reports, from the first issue, are structured based on the seven core subjects of ISO 26000. So they are very easy to read. And that you are conscious of the viewpoints of stakeholders of the world is also highly evaluated.

Because the number of travelers to Japan from overseas

is increasing, the role of H.I.S. is becoming larger and larger. I would like you to focus further on activities to introduce foreigners to Japan’s attractions. As picked out in the form of local-area oriented sightseeing in this report, community-oriented tourism development and efforts for tourist invitation greatly energize local communities. I would like you to support their movement and contribute to the vitalization of such communities.

Meanwhile, I noticed some points as your future challenges.

One is efforts toward the environment. You are working on an effort of carbon offset for CO₂ generated from airplanes, etc., but at the service industry without a production section, the base for CO₂ reduction will be your offices. I would like you to define the scope of reporting to know the amount of CO₂ emitted from your headquarters and branches, and understand the current situations and set up goals, and from there, gradually work toward improvement.

Environmental activities such as CO₂ reduction spread from companies to households and have the power of changing the awareness of each person. So I expect your active efforts. Additionally, to improve the job satisfaction among your employees remains as a challenge. Although this is a big issue and cannot be solved in a day, I expect you to continue to work on it while maintaining awareness as a problem.

Response to Third Party Opinion

This year, H.I.S. Group is trying to create future-oriented society through various trials aiming at evolving the world. For this, we will work on our businesses while being conscious about the society and nature more than ever.

As a third party opinion, Ms. Tatsumi pointed out that our efforts toward environment are lagging.

We first would like to know the current situations about the environmental burden we cause and try to improve it. Additionally, we seriously take the fact that the figure of job satisfaction decreased in the Employee Satisfaction Survey, and will focus on measures against it.

Because H.I.S. has been expanding in scale and diversifying its businesses, we have a lot of problems to solve as well. Taking this fact with humility, we will put further efforts into CS/ES more than ever by strengthening the structure. We will focus especially on ES this year aiming at creating a more pleasant working environment, and establish a system where employees can work actively and can more freely take on new trials.



Senior Advisor,
CSR Promotion Administration
Kazumasa Namekata



CSR Department
H.I.S. CO., LTD

Shinjuku Oak Tower 29F, 6-8-1 Nishi-shinjuku, Shinjuku-ku,
Tokyo 163-6029, JAPAN



〈Please participate in our CSR Report survey.〉
We thank you for reading the entire H.I.S. CSR Report.
For further improvement of our CSR activities and the report, we would like to ask for your feedback.
Please participate in our online survey through the following link:
<http://www.his.co.jp/csr/>