



Consolidated Financial Results

For the First Half Ended April 30, 2013

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

Summary of Consolidated Financial Results For the First Half Ended April 30, 2013

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

Exchange Listed:	Tokyo Stock Exchange, 1 st section
Principal Office:	Tokyo, Japan
Homepage:	http://www.his.co.jp
President:	Akira Hirabayashi
Contact:	Shigeru Nakatani, Director
Telephone:	+81-3-5908-2070
Scheduled date of filing interim report:	June 7, 2013

1. Consolidated Financial Results (November 1, 2012 – April 30, 2013)

(1) Consolidated Operating Results

	Millions of Yen			
	First Half Ended Apr 30,			
	2013	%	2012	%
Net Sales.....	224,633	11.6	201,289	14.4
Operating Income.....	6,056	20.2	5,039	47.6
Ordinary Income.....	7,847	21.9	6,438	48.2
Net Income	4,681	13.1	4,138	(9.5)
Net Income per Share (yen)	144.36		127.62	
Net Income per Share, Diluted (yen)	—		—	
Notes: Comprehensive income:	First Half Ended April 30, 2013:		9,560 million yen(375.6%)	
	First Half Ended April 30, 2012:		2,010 million yen(-55.0%)	

(2) Consolidated Financial Position

	Millions of Yen	
	As of Apr 30, 2013	As of Oct 31, 2012
Total Assets.....	182,170	173,497
Net Assets.....	85,197	76,763
Shareholders' Equity Ratio.....	41.1%	39.0%
Net Assets per Share (yen)	2,307.53	2,088.35
Notes: Shareholders' equity (consolidated):	As of April 30, 2013:	74,824 million yen
	As of October 31, 2012:	67,718 million yen

2. Dividends

	FY Ended Oct 31,		
	2012	2013	2013 (Forecast)
Dividends per Share			
Interim (yen)	0.00	0.00	
End of Term (yen)	34.00		34.00
Annual Dividends (yen)	34.00		34.00

Notes: Revision to dividends forecast from the previous forecast announced: No

3. Consolidated Forecast for the Fiscal Year Ending October 31, 2013

	Millions of Yen	
	FY Ending Oct 31, 2013	
Net Sales.....	490,000	13.6%
Operating income.....	15,000	32.5%
Ordinary Income.....	17,000	26.1%
Net Income.....	10,000	7.2%
Net Income per Share (yen).....	308.39	

Notes: Revision to forecast from the previous forecast announced: No

4. Additional Notes

- (1) Changes of important subsidiaries during the fiscal period (Changes of specific subsidiary due to change in scope of consolidation): None
- (2) Application of simplified accounting treatment and unique accounting treatment in preparing quarterly consolidated financial statements: Yes
- (3) Change in accounting policy, change in accounting estimates and restatement:
- (i) Changes accompanying amendments to accounting standards: Yes
 - (ii) Changes other than those in (i) above: None
 - (iii) Change in accounting estimates: Yes
 - (iv) Restatement: None
- (4) Number of shares issued (common shares)
- (i) Number of shares issued at end of fiscal period (including treasury stock):
 - As of Apr 30, 2013 34,261,468 shares
 - As of Oct 31, 2012 34,261,468 shares
 - (ii) Number of treasury stock at end of fiscal period
 - As of Apr 30, 2013 1,835,301 shares
 - As of Oct 31, 2012 1,834,658 shares
 - (iii) Average number of shares during the period
 - As of Apr 30, 2013 32,426,645 shares
 - As of Apr 30, 2012 32,427,319 shares

I. Operating Results and Financial Position

1. Operating Results

Overview of consolidated results for the fiscal period

During the first half of the fiscal year under review, things are looking up. The government policies have been well received, and measures such as correcting the high value of the Yen and ending deflation have led to greater confidence that the economy will recover. Foreign affairs issues and foreign currency fluctuations still exert some influence on those traveling overseas, but the travel industry remains strong, due to increases in individual consumer spending, and a greater willingness to travel in the senior generation. According to the Japan National Tourist Organization (JNTO), the (estimated) number of Japanese departing Japan from November 2012 through April 2013 is forecast to have fallen by 5.1% compared with the previous year to approximately 8,550,000 people.

In this economic climate, the Group will continue to improve on its standards of "safety, security, service and quality," and has developed many innovative solutions with the purpose of expanding its business in Japan and overseas.

· Travel Business

In the domestic travel industry, we have launched our first trials of the luxury liner Costa Victoria, providing cruises for independent travelers, and a great many customers have taken advantage of these cruises. This summer, we plan to launch our "six ship continuous Costa cruise special package." As part of our policy of new service, we are also supporting our over 60s customers, not only by introducing discounts for senior citizens, but also by providing special assistance at Narita and Haneda airports (the "airport assistant"), and by opening a Visa Center and acting as agents for all visa applications.

As for sales channels, we plan to improve the effectiveness by concentrating on points of sale. As well as our present emphasis on setting up sales branches in shopping centers, we will also be strengthening our presence in specialist outlets offering services such as foreign weddings. We have expanded our branches so that we can serve more customers, part of which is the opening of our new flagship branch at Shinjuku 3 Chome in Tokyo.

As for initiatives in the area of online sales, we have improved our online presence by setting up a "air ticket and hotel" site that our customers can access by smartphone. Our reservation site "Sumayado" covers over 5,000 hotels and ryokan, or Japanese-style inns. We are committed to building this site to improve convenience for our customers.

Our group travel activity is strong due to the increase in orders for large scale group travel, such as corporate trips, events, and school trips. We have also developed global contracts with businesses and other corporates to take advantage of the corporate travel market, such as business trips.

The market for domestic travel services that have been sold from all our branches in Japan from the previous fiscal year, such as our original Shuttle service in the main Okinawa Island and Ishigaki Island (the Yuntaku shuttle), and our quick rent a car service, continues to get stronger.

Turning to the business overseas, we are promoting the development of many more branches in Bangkok, Thailand to consolidate our outbound foreign travel activity. In order to target overseas customers, we set up an online booking service in our sixth country Australia, and started a service in Hong Kong, concentrating on expanding business to the favorable Asian region. Our inbound travel operation to Japanese and overseas customers is also doing well. We are acting as wholesalers to other travel businesses (BtoB business), so we can offer our customers the services and activities of overseas branches, and increase our sales activity. We have expanded our base in Europe, with a presence in 49 countries, 106 cities and 145 branches as of the end of April 2013. In addition, we have expanded our overseas hotel reservation sites. We have made direct arrangements with major hotel chains, which have allowed us to establish a presence overseas and buy hotel rooms and optional tours. Our H.I.S VACATION business then sell these as vacation packages directly to Japanese and overseas travelers via the internet. These types of initiatives have helped ensure that our overseas travel business remains strong.

As a result of the initiatives described above, net sales for the first half has increased 4.1% year on year to 200,707 million yen. However, in the current climate of foreign affairs pushing down customer demand in Asia, the main destination, and of sudden currency fluctuations, operating income was down 27.3% year on year to 3,641 million yen.

· Hotel Business

The Guam Reef & Olive Spa Resort, which was added to our group in the previous fiscal year, was refurbished in all Beach Towers and lobbies and the surrounds. We planned to use the Watermark Hotel Nagasaki to improve visits to Japan, concentrating on the Asian market, with improved success. As a result of our efforts to improve customer satisfaction and profits in hotels in Australia and Sapporo, Japan, our hotel business moved into the black. Net sales increased 57.6% year on year to 2,121 million yen, and operating income was 25 million yen, compared with a loss of 33 million yen from the same period last year.

· Theme Park Business

HUIS TEN BOSCH Co. Ltd., the theme park business, started rebuilding Alexanderplatz (now Amsterdam Square) in February, 2013. They planted 550 varieties of tulips, the most seen in Japan, for the March tulip festival, and opened "The Maze," a 3 dimensional maze in March. HUIS TEN BOSCH also produced "The Kingdom of Light Series," from November 2012 to March 2013, an extravaganza of 10 millions bulbs that only HUIS TEN BOSCH experience could provide. The series scaled up from the No. 1 in the East to the World's No.1., and contributed to an increase in the number of visitors. As a result, the visitors number in the first half of the fiscal year increased 47.6% year on year to 1,292,000. Net sales increased 39.5% to 10,387 million yen, and operating income increased 133.1% year on year to 2,793 million yen.

The following are the non-consolidated financial results for HUIS TEN BOSCH for the first half from October 2012 through March 2013.

	<i>Millions of Yen</i>			
	Previous FY (Oct 1, 2011 – Mar 31, 2012)	Current FY (Oct 1, 2012 – Mar 31, 2013)	Y-Y Change (%)	Y-Y Change
Number of Visitors (Foreign Visitors) (Thousand persons)	876 (63.1)	1,292 (63.1)	147.6% (100.0%)	416 (0)
Net Sales	7,215	10,029	139.0%	2,814
Operating Income.....	1,160	2,726	235.0%	1,566
Ordinary Income.....	1,623	3,154	194.3%	1,531

· Transportation Business

On October 13, 2012, the Ocean Rose vessel suspended operation for a long term period. As a result, net sales was down 18.7% year to year to 32 million yen, and operating loss was 326 million yen, compared with a loss of 289 million yen the same period previous year. The vessel has been chartered to a foreign corporation in a 3 year bareboat chartering agreement, starting February, 2013.

· Kyushu Sanko Group

KYUSHU INDUSTRIAL TRANSPORTATION Group, a holding company of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., recorded net sales of 12,412 million yen and operating income of 765 million yen, having synergies effect in the H.I.S. Group. The H.I.S. Group had turned KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. into a consolidated subsidiary from the fourth quarter of the previous fiscal year.

As a result, the H.I.S. Group recorded net sales of 224,633 million yen (up 11.6% from the previous fiscal year), operating income of 6,056 million yen (up 20.2%), ordinary income of 7,847 million yen (up 21.9%), and net income of 4,681 million yen (up 13.1%).

2. Forecast for the Full Year

The H.I.S. Group considers that the state of the world economy remains unclear, but in the travel industry, there is reason for optimism, with the increase in consumer spending and the activities of the senior generation. The effect of the foreign affairs issues, which started last summer, began to decline, and the Group predicts that this trend will continue. Together with the increase in arrival and departure slots in the Tokyo region airports, this should result in an increase in travel demand from this summer onward. On the other hand, there could be more intense competition from a more diverse range of competitors who deal with direct sales, including airline companies, so it is important to keep a close eye on market trends.

In this economic climate, the Group will strive to improve on its standards of safety, security, service and quality in

its main segment, the travel industry. The group plans to develop unique services and to expand our Japanese and overseas business, using our synergies to take advantage of new initiatives such as a newly established international charter airline, and the challenges of the cruise industry. We will also take advantage of the unique features of our various sales branches, including our online presence, to stimulate demand and increase productivity and efficiency.

HUIS TEN BOSCH Co. Ltd. not only runs popular events such as the "World Pyrotechnics Competition" and the "Rose Festival" with its 1,000 varieties and 1 million individual blooms, but also has opened the movie house "HTB Harbor Cinemas" and will launch the largest ever "The Kingdom of Water and Adventure" this summer to the delight of its visitors.

For the reasons above, our projections for the full fiscal year have not been changed from those announced on December 14, 2012.

3. Matters regarding Summary (Others)

(1) Application of simplified accounting treatment and unique accounting treatment in preparing quarterly consolidated financial statements

· Calculation of Tax Expenses

Tax expenses are calculated by multiplying quarterly income before income taxes by an effective tax rate reasonably estimated based on income before income taxes for the full fiscal year, including the first half, after the application of tax effect accounting.

(2) Change in accounting policy, change in accounting estimates and restatement

· Changes of depreciation method

Effective from the first quarter of the current fiscal year, the Company and its domestic subsidiaries changes the depreciation method for the relevant tangible assets newly acquired from November 1, 2012 according to the amendment of Corporation Tax Act in Japan.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

	<i>Millions of Yen</i>	
	As of Apr 30, 2013	As of Oct 31, 2012
ASSETS		
Current assets		
Cash and deposits	62,978	65,495
Accounts receivable-trade	13,489	12,505
Operating accounts receivable	6,222	5,135
Short-term investment securities	1,792	1,830
Travel advance payments	20,894	17,626
Prepaid expenses	1,405	1,409
Deferred tax assets	2,406	2,568
Short-term loans receivable	43	34
Short-term loans receivable from subs. and affiliates	71	105
Accounts receivable-other	1,659	1,829
Other	3,645	3,268
Allowance for doubtful accounts	(107)	(111)
Total current assets	114,501	111,697
Noncurrent assets		
Property, plant and equipment		
Buildings, net	12,410	10,899
Tools, furniture and fixtures, net	2,660	1,924
Vessels, net	3,780	2,953
Land	21,224	21,048
Lease assets, net	2,040	1,819
Other, net	2,572	1,909
Total property, plant and equipment	44,689	40,554
Intangible assets	4,584	4,532
Investments and other assets		
Investment securities	4,066	4,595
Stocks of subsidiaries and affiliates	5,261	3,789
Investments in capital of subs. and affiliates	55	85
Long-term loans receivable	1,132	950
Long-term loans receivable from subs. and affiliates	18	237
Deferred tax assets	1,595	1,321
Guarantee deposits	5,796	5,384
Other	610	485
Allowance for doubtful accounts	(154)	(153)
Total investments and other assets	18,382	16,696
Total noncurrent assets	67,657	61,783
Deferred assets	11	16
Total assets	182,170	173,497

	<i>Millions of Yen</i>	
	As of Apr 30, 2013	As of Oct 31, 2012
LIABILITIES		
Current liabilities		
Operating accounts payable	18,468	17,162
Short-term loans payable	1,450	2,300
Current portion of long-term loans payable	1,527	1,510
Accounts payable-other	2,713	2,342
Accrued expenses	2,232	2,232
Income taxes payable.....	2,119	1,953
Accrued consumption taxes	412	273
Travel advance received	39,957	39,537
Lease obligations.....	797	465
Provision for bonuses	2,472	3,503
Provision for directors' bonuses.....	123	216
Other	4,660	4,708
Total current liabilities	76,936	76,206
Noncurrent liabilities		
Long-term loans payable	4,105	4,781
Deferred tax liabilities	4,976	4,975
Provision for retirement benefits	5,440	5,259
Provision for directors' retirement benefits	631	589
Provision for repairs.....	1,561	1,554
Lease obligations.....	1,727	1,803
Other	1,594	1,563
Total noncurrent liabilities	20,036	20,528
Total liabilities	96,973	96,734
NET ASSETS		
Shareholders' equity		
Capital stock	6,882	6,882
Capital surplus.....	7,782	7,782
Retained earnings	59,576	55,966
Treasury stock.....	(2,526)	(2,524)
Total shareholders' equity.....	71,714	68,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities.....	1,080	1,433
Deferred gains or losses on hedges	290	16
Foreign currency translation adjustment.....	1,738	(1,839)
Total accumulated other comprehensive income.....	3,109	(389)
Minority interests	10,372	9,044
Total net assets	85,197	76,763
Total liabilities and net assets	182,170	173,497

2. Consolidated Statements of Income

	<i>Millions of Yen</i>	
	Nov 1, 2012 - Apr 30, 2013	Nov 1, 2011 - Apr 30, 2012
Net sales	224,633	201,289
Cost of sales	183,903	164,655
Gross profit	40,730	36,633
Selling, general and administrative expenses	34,674	31,594
Operating income	6,056	5,039
Non-operating income		
Interest income	262	255
Foreign exchange gains	945	357
Equity in earnings of affiliates	—	334
Subsidy income	413	442
Other	333	122
Total non-operating income	1,954	1,512
Non-operating expenses		
Interest expenses	74	1
Provision of allowance for doubtful accounts	—	43
Other	88	68
Total non-operating expenses	163	113
Ordinary income	7,847	6,438
Extraordinary income		
Gain on sales of investment securities	25	—
Compensation income	30	65
Other	18	49
Total extraordinary income	74	115
Extraordinary loss		
Loss on sales of investment securities	—	6
Other	3	5
Total extraordinary losses	3	12
Income before income taxes and minority interests	7,918	6,541
Income taxes	1,966	1,748
Income before minority interests	5,951	4,793
Minority interests in income	1,270	654
Net income	4,681	4,138

3. Consolidated Statements of Comprehensive Income

	<i>Millions of Yen</i>	
	Nov 1, 2012 - Apr 30, 2013	Nov 1, 2011 - Apr 30, 2012
Income before minority interests.....	5,951	4,793
Other comprehensive income		
Valuation difference on available-for-sale securities.....	(352)	(2,024)
Deferred gains or losses on hedges	277	57
Foreign currency translation adjustment.....	3,169	(813)
Share of other comprehensive income of associates accounted for using equity method.....	515	(2)
Total other comprehensive income	3,608	(2,782)
Comprehensive income	9,560	2,010
Comprehensive income attributable to.....		
Comprehensive income attributable to owners of the parent.....	8,179	1,402
Comprehensive income attributable to minority interests ..	1,380	607

4. Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>	
	Nov 1, 2012 - Apr 30, 2013	Nov 1, 2011 - Apr 30, 2012
I. Net cash provided by (used in) operating activities		
Income before income taxes and minority interests.....	7,918	6,541
Depreciation and amortization.....	1,568	1,090
Amortization of goodwill.....	153	72
Increase (decrease) in allowance for doubtful accounts.....	(1)	45
Increase (decrease) in provision for bonuses.....	(1,081)	(24)
Increase (decrease) in provision for directors' bonuses.....	(98)	(75)
Increase (decrease) in provision for retirement benefits.....	168	145
Increase (decrease) in provision for directors' retirement benefits.....	39	30
Increase (decrease) in provision for repairs.....	6	40
Interest and dividends income.....	(262)	(255)
Foreign exchange losses (gains).....	(1,034)	(235)
Interest expenses.....	74	1
Loss (gain) on sales of investment securities.....	(25)	6
Other loss (gain).....	(126)	(385)
Decrease (increase) in notes and accounts receivable-trade.....	(1,156)	(2,545)
Decrease (increase) in travel advance payments.....	(3,005)	(2,203)
Decrease (increase) in other assets.....	990	123
Increase (decrease) in notes and accounts payable-trade.....	369	351
Increase (decrease) in accrued consumption taxes.....	114	(20)
Increase (decrease) in accrued expenses.....	(54)	49
Increase (decrease) in travel advances received.....	90	763
Increase (decrease) in other liabilities.....	(612)	(694)
Sub-total.....	4,033	2,821
Interest and dividends income received.....	245	255
Interest expenses paid.....	(73)	(1)
Income taxes (paid) refund.....	(2,038)	(3,897)
Net cash provided by (used in) operating activities.....	2,167	(822)

	<i>Millions of Yen</i>	
	Nov 1, 2012 - Apr 30, 2013	Nov 1, 2011 - Apr 30, 2012
II. Net cash provided by (used in) investing activities		
Payments into time deposits.....	(19,914)	(29,897)
Proceeds from withdrawal of time deposits	25,067	18,376
Purchase of short-term investment securities.....	(400)	(400)
Proceeds from redemption of securities	486	1,750
Purchase of property, plant and equipment and intangible assets	(4,052)	(1,906)
Proceeds from sales of property, plant and equipment and intangible assets	97	7
Purchase of investment securities.....	(158)	(1,002)
Purchase of stocks of subsidiaries and affiliates	(1,325)	(89)
Proceeds from sales of investment securities	166	3
Payments of loans receivable.....	(30)	(644)
Collection of loans receivable.....	38	1,574
Payments for guarantee deposits.....	(625)	(362)
Proceeds from collection of guarantee deposits.....	287	288
Other, net	412	(36)
Net cash provided by (used in) investing activities	50	(12,337)
III. Net cash provided by (used in) financing activities		
Increase in short-term loans payable.....	1,030	—
Decrease in short-term loans payable	(1,880)	(7)
Proceeds from long-term loans payable	105	—
Repayment of long-term loans payable	(764)	—
Cash dividends paid	(1,102)	(1,037)
Cash dividends paid to minority shareholders	(11)	(36)
Proceeds from stock issuance to minority shareholders.....	—	16
Other, net	(250)	(22)
Net cash used in financing activities	(2,874)	(1,087)
IV. Effect of exchange rate change on cash & cash equivalents.....	1,748	(284)
V. Net increase (decrease) in cash & cash equivalents	1,092	(14,531)
VI. Cash & cash equivalents at beginning of period.....	35,821	44,703
VII. Increase in cash & cash equivalents from newly consolidated subsidiary.....	836	392
VIII. Cash & cash equivalents at end of period	37,750	30,564

5. Notes regarding Going Concern Assumption

Not applicable

6. Note regarding Significant Changes in the Amount of Shareholders' Equity

Not applicable