



Consolidated Financial Results

For the First Half Ended April 30, 2014

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on management's assumptions and beliefs in light of information currently available and involves uncertainties that may affect forecasts. Actual results may differ materially from these forecasts due to various factors.

Summary of Consolidated Financial Results For the First Half Ended April 30, 2014

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

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1. Consolidated Financial Results (November 1, 2013 – April 30, 2014)

(1) Consolidated Operating Results

	Millions of Yen			
	First Half Ended Apr 30,			
	2014	%	2013	%
Net Sales.....	252,634	12.5	224,633	11.6
Operating Income.....	8,381	38.4	6,056	20.2
Ordinary Income.....	9,641	22.9	7,847	21.9
Net Income	4,360	(6.9)	4,681	13.1
Net Income per Share (yen)	67.24		72.18	
Net Income per Share, Diluted (yen)	—		—	

Notes: Comprehensive income: First Half Ended April 30, 2014: 6,797 million yen(-28.9%)
First Half Ended April 30, 2013: 9,560 million yen(375.6%)

The Group conducted a 1:2 stock split on its common shares with the effective date of May 1, 2014. Net Income per Share is calculated under the assumption that the stock split had been conducted at the beginning of the previous fiscal year ended October 31, 2013.

(2) Consolidated Financial Position

	Millions of Yen	
	As of Apr 30, 2014	As of Oct 31, 2013
Total Assets.....	223,476	215,913
Net Assets.....	96,345	90,680
Shareholders' Equity Ratio.....	37.3%	36.6%
Net Assets per Share (yen)	1,286.30	1,219.42

Notes: Shareholders' equity (consolidated): As of April 30, 2014: 83,416 million yen
As of October 31, 2013: 79,080 million yen

The Group conducted a 1:2 stock split on its common shares with the effective date of May 1, 2014. Net Assets per Share is calculated under the assumption that the stock split had been conducted at the beginning of the previous fiscal year ended October 31, 2013.

2. Dividends

	FY Ended Oct 31,		
	2013	2014	2014 (Forecast)
Dividends per Share			
Interim (yen)	0.00	0.00	
End of Term (yen)	34.00		18.00
Annual Dividends (yen)	34.00		18.00

Notes: Revision to dividends forecast from the previous forecast announced: No
The Group conducted a 1:2 stock split on its common shares with the effective date of May 1, 2014. The dividend forecast for the fiscal year ending October 31, 2014 reflects the stock split.

3. Consolidated Forecast for the Fiscal Year Ending October 31, 2014

	Millions of Yen	
	FY Ending Oct 31, 2014	
Net Sales.....	539,000	12.4%
Operating income.....	15,700	32.6%
Ordinary Income.....	17,200	13.1%
Net Income.....	9,000	1.1%
Net Income per Share (yen).....	138.78	

Notes: Revision to forecast from the previous forecast announced: No
The Group conducted a 1:2 stock split on its common shares with the effective date of May 1, 2014. Net Income per Share in the Consolidated Forecast for the Fiscal Year Ending October 31, 2014 is calculated under the assumption that the stock split had been conducted at the beginning of the fiscal year ending October 31, 2014.

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: None
 - (ii) Changes other than those in (i) above: None
 - (iii) Change in accounting estimates: None
 - (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, 2014 68,522,936 shares
 - As of Oct 31, 2013 68,522,936 shares
 - (ii) Number of treasury stock at end of fiscal period
 - As of Apr 30, 2014 3,673,202 shares
 - As of Oct 31, 2013 3,671,792 shares
 - (iii) Average number of shares during the period
 - As of Apr 30, 2014 64,850,236 shares
 - As of Apr 30, 2013 64,853,290 shares



Consolidated Financial Results for the First Half Ended April 30, 2014

Note on Audit Procedures:

This summary of financial statements is out of the scope of the audit procedures which is required by "Financial Instruments and Exchange Act". The audit procedures of consolidated financial statements have been completed as of the disclosure of this report.

Disclaimer Regarding Forward-Looking Statements:

Forward-looking statements are based on management's assumptions and beliefs in light of information currently available and involve uncertainties that may affect forecasts. Actual results may differ materially from these forecasts due to various factors. Please refer to pages 7- 8 for further information concerning the projections.

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, the Japanese economy saw gradual recovery overall, despite that recovery slowed in April when the consumption tax increased.

Foreign affairs issues and political unrest, mainly in Asia, as well as a weak yen trend still exert some influence on those traveling overseas, but the demand for overseas travel remains firm, due to two contributing factors: a recovery in consumer spending and an expansion of international flights at Haneda Airport in Tokyo starting on March 30, 2014. According to the Japan National Tourist Organization (JNTO), the estimated number of Japanese departing Japan in the first half of this fiscal year is forecast to have fallen by 2.8% compared with the previous year to approximately 8,320,000. Domestic travel remains steady with the background of improved convenience with LCC prevailing and its route expansion, as well as increasing demand for major tourist destinations including Okinawa and Hokkaido. Demand for foreign travelers visiting Japan remains strong, with an increasing number of foreign travelers from Southeast Asian countries with loosened visa requirements, including Thailand. Additionally, the number of travelers from China significantly improved. According to JNTO, the estimated number of foreign travelers visiting Japan in the first half of this fiscal year is expected to rise by 28.7% compared with the previous year to approximately 5,810,000.

Under these business conditions, the Group strived to improve on its standards of "safety, security, service and quality", and has implemented a range of original measures to expand its business in Japan and overseas.

· Travel Business

In overseas travel departing Japan, the Group has launched new services, including "travel concierge", which provides peace of mind and personal assistance in the field for independent travelers, and "restaurant reservation agent". The Group further expanded service locations and scope of target travelers, thus strengthening its line of independent travel products, the Group's foundation. The Group launched original products, including a special accommodation plan at "Doraemon room" in Hawaii equipped with special amenities, and a package deal incorporating chartered plans to enjoy popular destinations such as Vatican Museums & Sistine Chapel in Vatican City, in addition to La Sagrada Familia in Barcelona, Spain, which has been well received. Additionally, we have implemented special measures including "Pay-as-you-get-promoted campaign", which stimulates demand for overseas travel among students, and "one coin optional tour". Furthermore, the Group has worked to boost the range of demands by creating new courses associated with an expansion of international flights at Haneda Airport in Tokyo starting on March 30, 2014, and actively leveraging charter flights departing and arriving in each district.

As for sales channels, we enhanced the network of our branches with emphasis on production efficiency. We opened sales branches mainly in shopping centers nationwide, namely in Aeon Town Nagano Miwa (in Nagano prefecture), Aeon Mall Wakayama (in Wakayama prefecture) and Kuzuha Mall (in Osaka prefecture), as well as in developing metropolitan areas, including Sasazuka (in Tokyo) and Musashi Kosugi (in Kanagawa

prefecture). We further deployed limited branches with mobility in accordance with demand during the peak period.

As for initiatives in the area of online sales, we have upgraded our "air ticket and hotel" website, allowing simultaneous reservation for optional tours and pick-up services on PCs as well as smartphones. We have also worked to expand our contact with customers and further improve convenience by strengthening product delivery by use of SNS including LINE. At our reservation website "Sumayado", we made efforts to increase the number of contracted facilities and users.

Our group travel activity is strong due to the increase in orders for large scale group travel, including corporate incentive travels, the range of events and school trips. Our implementation of the Sochi Olympic package tours has also been successful. Turning to corporate travel, or business travel, the demand is on a recovery trend, with our corporate clients signing comprehensive contracts, and sales remain firm.

Furthermore, we have been conscious about providing more fulfilling stay plans in terms of contents of the plans and hotel grades among others, and promoted value-added products. This contributed to an increase in our share in the volume of overseas travel by major travel agencies, compiled by the Tourism Authority.

In domestic travel business, which maintains a high growth rate, we have implemented a special program including night safari on Ishigaki Island, a remote island in Okinawa, and launched courses utilizing LCCs. Additionally, we have expanded our bus tours with new arrival and departure stops in Chiba and Saitama prefectures among others. Consequently, the domestic travel business continues to remain strong.

Turning to business overseas, we have promoted operations in multi branches in Southeast Asia in the overseas outbound business, and increased the number of branches to 14 in Bangkok, Thailand, and 10 in and around Jakarta, Indonesia. We will further strengthen our promotional activities for local customers and raise our brand recognition. To enhance our distribution network and to increase our ability to attract customers, we entered into a business alliance agreement, or an agency agreement, with a major Indonesian telecommunication company in the travel business. Also, we have aggressively deployed at new locations in developing countries, including Croatia and Greece. In total, we have an overseas network of sales in 56 countries, 117 cities and 169 branches as of April, 2014. We operate 41 online reservation websites for local customers abroad in 39 countries, and we have launched package tours services and "air ticket and hotel" websites. As a result of these measures, our outbound business continues to expand mainly in Asia. In parallel, we sought to enhance travel visiting Japan, and focused on accepting travelers from Thailand, with rapidly growing market, as well as corporate incentive travelers in each country, thereby strengthening ties with overseas locations and expanding our business.

In our inbound travel business, we have launched the original "Direct-from-the-farm products" which our local H.I.S. expatriate staff planed by visiting tourist destinations and hotels themselves. We have also improved a procedure at the time of local hotel check-in in Hawaii, by allowing for direct check-in/check-out from our local H.I.S. lounges. Additionally, we are acting as wholesalers to other travel businesses (BtoB business), so that we can offer our customers the services and activities of overseas branches, and increase our sales activity.

Furthermore, our business between international locations has been attracting additional customers, ie. our Russian branch sells charter flights to Guam, departing from Vladivostok, to outgoing travelers, and our Guam branch receives incoming travelers.

As a result of these measures, net sales for the first half increased 11.7% year on year to 224,260 million yen, and operating income rose by 9.2% year on year to 3,977 million yen.

· Hotel Business

In the hotel business, the Group recorded net sales of 2,789 million yen, an increase of 31.5% compared with the previous fiscal year, and an operating income of 193 million yen, an increase of 656.5% from a year earlier, and achieved increases both in sales and profits. This owes to the Group's efforts to improve customer satisfaction and profitability by implementing measures to strengthen services and please its customers.

· Theme Park Business

HUIS TEN BOSCH Co. Ltd., which operates the theme park business, focused on events of only one or No. 1 value. Various scaled up events were held, including the popular "The Kingdom of Light Series", in which "Cube of Light" was created, and the "Tulip Festival", for which 650 varieties of tulips were planted, the most seen in Japan. Additionally, we have launched an experience-based "Masquerade Ball Carnival 2014" and new initiative of "MUSE HALL" which brings a full-blown entertainment experience. We have also established "Fuwafuwa Land" for children at Adventure Park. As the first measure taking place outside of the theme park, "Osaka Castle 3D Mapping Super Illumination" was held, and has been well received. As a result, visitors in the first half of the fiscal year increased 16.2% year on year to 1,501,000, and the Group recorded good business results. Net sales increased 34.9% to 14,014 million yen, and operating income increased 83.3% year on year to 5,121 million yen.

The following are the non-consolidated financial results for HUIS TEN BOSCH Co. Ltd. for the first half from October 2013 through March 2014.

	<i>Millions of Yen</i>			
	Previous FY (Oct 1, 2012 – Mar 31, 2013)	Current FY (Oct 1, 2013 – Mar 31, 2014)	Y-Y Change (%)	Y-Y Change
Number of Visitors (Foreign Visitors) (Thousand persons)	1,292 (63)	1,501 (102)	116.2% (162.0%)	209 (39)
Net Sales (Volume) *	10,967	14,826	135.2%	3,859
Operating Income.....	2,727	5,055	185.3%	2,328
Ordinary Income.....	3,155	5,512	174.6%	2,357

*Note: Net Sales includes sales (volume) of tenants.

· Transportation Business

ASIA ATLANTIC AIRLINES CO., LTD., an international charter carrier, began operation on a route from Suvarnabhumi Airport, Bangkok to Narita International Airport in August, 2013, and continues operations on

the same route, striving to improve safety and on-time performance. As a result, the Group recorded net sales of 1,934 million yen, and an operating loss of 552 million yen compared with an operating loss of 326 million yen a year earlier.

· Kyushu Sanko Group

In response to a new eco-friendly emission standard, KYUSHU INDUSTRIAL TRANSPORTATION Group, in its core bus business, implemented a new vehicle complete with safety equipment, including a collision mitigation brake system, and addressed a safe, secure and comfortable bus journey. As a result, net sales increased 3.4% to 12,829 million yen, and operating income decreased 13.6% year on year to 661 million yen due to the surge in fuel prices.

As a result of these measures, the Group recorded net sales of 252,634 million yen, an increase of 12.5% from the previous fiscal year, operating income of 8,381 million yen, an increase of 38.4% from the previous fiscal year, and ordinary income of 9,641 million yen, an increase of 22.9% from the previous fiscal year. The Group achieved record results in the fourth consecutive year for net sales and ordinary income, and record result in the third consecutive year for operating income. The Group recorded net income of 4,360 million yen, a decrease of 6.9% from the previous fiscal year, with an increase in tax expenses due to the near elimination of tax loss carryforwards for HUIS TEN BOSCH Co. Ltd.

The amount includes inter-segment transactions.

2. Forecast for the Full Year

The global economic environment will likely remain uncertain, but in the travel industry, the Group expects the travel demand to remain firm from this summer onward, with the recovery in consumer spending and the activities of the senior generation, together with the increase in arrival and departure slots in the Tokyo region airports. On the other hand, there could be more intense competition from a more diverse range of competitors, both domestic and international, including airline companies, who seek for diversified customer contact and deal with direct sales, so it is important to keep a close eye on market trends.

Under these business conditions, the Group will strive to improve on its standards of "safety, security, service and quality" in its main segment, the travel industry. With the anticipation for the synergy effects, the Group promotes vertical integration business strategies, and actively leverages charter flights, including international charter airlines. The Group will thus respond sensitively to its customers' needs, create the original products and services in the global market, and expand and develop its inbound and outbound travel businesses. Furthermore, the Group will promote expansion with a greater awareness of productivity and efficiency and further increase earnings, and this will involve various activities including sales operations that take into consideration sales channels, and conduct promotions to generate demand based on an awareness of the medium's characteristics.

HUIS TEN BOSCH Co., Ltd. will scale up and hold popular events, including the "Hydrangea Festival" where 800 varieties of its kind are planted, the most seen in Japan. In summer, "Kingdom of Water" and "Summer Kingdom of Lights" will take place. Also, we will launch a new "Kingdom of Games", and strive to impress and satisfy our



customers.

For the reasons above, our projections for the full fiscal year have not been changed from those announced on December 13, 2013.

Based on the resolution approved by the board on March 7, 2014, the Group executed a stock split from 1 common share to 2 common shares. This is reflected in the forecast for dividend per share and net income per share.

II. Consolidated Financial Statements

1. Consolidated Quarterly Balance Sheets

	<i>Millions of Yen</i>	
	As of Apr 30, 2014	As of Oct 31, 2013
ASSETS		
Current assets		
Cash and deposits	84,743	83,211
Accounts receivable-trade	15,691	13,897
Operating accounts receivable	6,792	6,737
Securities.....	4,099	2,699
Travel advance payments	22,307	21,588
Prepaid expenses.....	1,366	1,721
Deferred tax assets	1,654	1,749
Short-term loans receivable.....	1,063	38
Short-term loans receivable from subs.and affiliates	85	85
Accounts receivable-other	2,018	2,222
Other	4,604	3,666
Allowance for doubtful accounts	(120)	(102)
Total current assets	144,306	137,515
Noncurrent assets		
Property, plant and equipment		
Buildings, net.....	12,489	12,142
Tools, furniture and fixtures, net.....	3,295	2,893
Vessels, net.....	3,963	3,914
Land	21,221	21,191
Lease assets, net	2,560	2,077
Other, net	3,547	3,292
Total property, plant and equipment	47,078	45,511
Intangible assets.....	4,618	4,560
Investments and other assets		
Investment securities.....	13,228	13,639
Stocks of subsidiaries and affiliates.....	5,342	4,911
Investments in capital of subs. and affiliates	68	55
Long-term loans receivable	145	1,162
Long-term loans receivable from subs. and affiliates....	43	39
Deferred tax assets	2,191	2,091
Guarantee deposits	5,965	5,964
Other	604	553
Allowance for doubtful accounts	(182)	(165)
Total investments and other assets	27,408	28,252
Total noncurrent assets	79,105	78,324
Deferred assets	65	74
Total assets	223,476	215,913

	<i>Millions of Yen</i>	
	As of Apr 30, 2014	As of Oct 31, 2013
LIABILITIES		
Current liabilities		
Operating accounts payable	19,147	20,168
Short-term loans payable	1,720	2,100
Current portion of long-term loans payable	1,542	1,547
Accounts payable-other	2,676	2,354
Accrued expenses	2,322	2,233
Income taxes payable.....	3,871	1,819
Accrued consumption taxes	514	442
Travel advance received	46,642	47,398
Lease obligations.....	709	812
Provision for bonuses	2,610	1,630
Provision for directors' bonuses.....	97	73
Other	5,559	4,877
Total current liabilities	87,414	85,459
Noncurrent liabilities		
Long-term loans payable	22,642	23,411
Deferred tax liabilities	4,951	4,958
Provision for retirement benefits	6,070	5,650
Provision for directors' retirement benefits	704	670
Provision for repairs.....	1,553	1,549
Lease obligations.....	2,352	1,761
Other	1,442	1,772
Total noncurrent liabilities	39,716	39,773
Total liabilities	127,131	125,233
NET ASSETS		
Shareholders' equity		
Capital stock.....	6,882	6,882
Capital surplus.....	7,782	7,782
Retained earnings	66,922	63,664
Treasury stock	(2,533)	(2,529)
Total shareholders' equity.....	79,054	75,800
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities.....	858	951
Deferred gains or losses on hedges	85	(19)
Foreign currency translation adjustment.....	3,417	2,348
Total accumulated other comprehensive income.....	4,361	3,280
Minority interests	12,929	11,599
Total net assets	96,345	90,680
Total liabilities and net assets	223,476	215,913

2. Consolidated Quarterly Statements of Income

	<i>Millions of Yen</i>	
	Nov 1, 2013 - Apr 30, 2014	Nov 1, 2012 - Apr 30, 2013
Net sales	252,634	224,633
Cost of sales	204,447	183,903
Gross profit	48,186	40,730
Selling, general and administrative expenses	39,805	34,674
Operating income	8,381	6,056
Non-operating income		
Interest income	281	262
Foreign exchange gains	350	945
Subsidy income	396	413
Other	440	333
Total non-operating income	1,470	1,954
Non-operating expenses		
Interest expenses	84	74
Loss on retirement of noncurrent assets	51	—
Other	74	88
Total non-operating expenses	210	163
Ordinary income	9,641	7,847
Extraordinary income		
Compensation income	—	30
Other	—	44
Total extraordinary income	—	74
Extraordinary loss		
Other	—	3
Total extraordinary losses	—	3
Income before income taxes and minority interests	9,641	7,918
Income taxes	3,956	1,966
Income before minority interests	5,685	5,951
Minority interests in income	1,325	1,270
Net income	4,360	4,681

3. Consolidated Quarterly Statements of Cash Flows

	<i>Millions of Yen</i>	
	Nov 1, 2013 - Apr 30, 2014	Nov 1, 2012 - Apr 30, 2013
I. Net cash provided by (used in) operating activities		
Income before income taxes and minority interests.....	9,641	7,918
Depreciation and amortization.....	2,394	1,568
Amortization of goodwill.....	145	153
Increase (decrease) in allowance for doubtful accounts.....	33	(1)
Increase (decrease) in provision for bonuses.....	977	(1,081)
Increase (decrease) in provision for directors' bonuses.....	23	(98)
Increase (decrease) in provision for retirement benefits.....	416	168
Increase (decrease) in provision for directors' retirement benefits.....	33	39
Increase (decrease) in provision for repairs.....	4	6
Interest and dividends income.....	(281)	(262)
Foreign exchange losses (gains).....	(302)	(1,034)
Interest expenses.....	84	74
Other loss (gain).....	(168)	(152)
Decrease (increase) in notes and accounts receivable-trade.....	(1,734)	(1,156)
Decrease (increase) in travel advance payments.....	(659)	(3,005)
Decrease (increase) in other assets.....	(498)	990
Increase (decrease) in notes and accounts payable-trade.....	(1,163)	369
Increase (decrease) in accrued consumption taxes.....	69	114
Increase (decrease) in accrued expenses.....	42	(54)
Increase (decrease) in travel advances received.....	(821)	90
Increase (decrease) in other liabilities.....	447	(612)
Subtotal.....	8,684	4,033
Interest and dividends income received.....	277	245
Interest expenses paid.....	(87)	(73)
Income taxes (paid) refund.....	(1,382)	(2,038)
Net cash provided by (used in) operating activities.....	7,492	2,167

	<i>Millions of Yen</i>	
	Nov 1, 2013 - Apr 30, 2014	Nov 1, 2012 - Apr 30, 2013
II. Net cash provided by (used in) investing activities		
Payments into time deposits.....	(10,506)	(19,914)
Proceeds from withdrawal of time deposits	16,357	25,067
Purchase of securities	(4,000)	(400)
Proceeds from redemption of securities	2,600	486
Purchase of property, plant and equipment and intangible assets	(3,275)	(4,052)
Proceeds from sales of property, plant and equipment and intangible assets	29	97
Purchase of investment securities	(50)	(158)
Proceeds from sales of investment securities	476	166
Purchase of stocks of subsidiaries and affiliates	(137)	(1,325)
Payments of loans receivable.....	(4)	(30)
Collection of loans receivable.....	40	38
Payments for guarantee deposits.....	(301)	(625)
Proceeds from collection of guarantee deposits.....	272	287
Other, net	265	412
Net cash provided by (used in) investing activities	1,766	50
III. Net cash provided by (used in) financing activities		
Increase in short-term loans payable.....	6,470	1,030
Decrease in short-term loans payable	(6,850)	(1,880)
Proceeds from long-term loans payable	—	105
Repayment of long-term loans payable	(773)	(764)
Cash dividends paid	(1,102)	(1,102)
Cash dividends paid to minority shareholders	(16)	(11)
Other, net	(290)	(250)
Net cash provided by (used in) financing activities.....	(2,563)	(2,874)
IV. Effect of exchange rate change on cash & cash equivalents.....	494	1,748
V. Net increase (decrease) in cash & cash equivalents	7,191	1,092
VI. Cash & cash equivalents at beginning of period.....	61,426	35,821
VII. Increase in cash & cash equivalents from newly consolidated subsidiary.....	—	836
VIII. Cash & cash equivalents at end of period	68,618	37,750