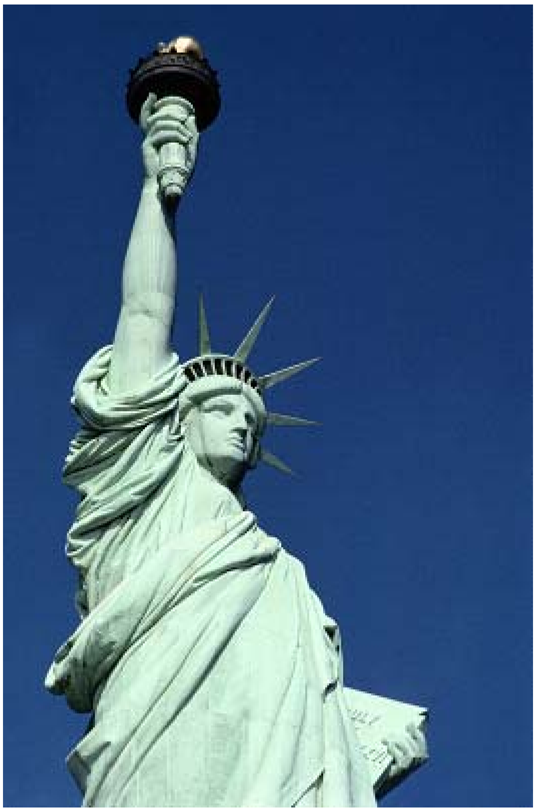

H.I.S. Co., Ltd.

Consolidated Results

Fiscal year ended October 31, 2005

CONSOLIDATED RESULTS: FISCAL YEAR ENDED OCTOBER 31, 2005

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

Results for the Fiscal Year Ended October 31, 2005

H.I.S. Co., Ltd. **December 19, 2005**

Stock Code: 9603
www.his-j.com
President: Yoshio Suzuki
Date of board meeting: December 19, 2005

Listed exchanges: Tokyo Stock Exchange 1st section
Inquiries: Kazumasa Namekata
Representative Director and Managing Director
Telephone: +81-3-5908-2070

1) Consolidated results

Millions of yen, rounded down

	FY ended October 31, 2005		FY ended October 31, 2004	
		Change %		Change %
Net sales	290,593	11.0	261,755	21.0
Operating income	5,473	19.8	4,570	233.4
Ordinary income	6,483	21.0	5,357	257.9
Net income	6,340	130.5	2,751	281.1
Net income per share (¥)	¥188.85		¥121.91	
Fully diluted earnings per share (¥)	--		--	
Return on equity	17.3%		8.8%	
Ratio of ordinary income to total capital	8.4%		8.0%	
Ratio of ordinary income to net sales	2.2%		2.1%	

Notes: (1) Gain (loss) from investments in subsidiaries and affiliates accounted for by the equity method:
FY ended October 31, 2005: ¥254 million
FY ended October 31, 2004: ¥343 million
(2) Average number of shares outstanding (consolidated) during the period:
FY ended October 31, 2005: 33,393,784 shares
FY ended October 31, 2004: 22,312,089 shares
(3) Changes to accounting methods: None
(4) On December 20, 2004 a 1:1.5 share split was undertaken. Net income per share for the fiscal year ended October 31, 2005 has been calculated as if the share split had occurred at the beginning of the period.
(5) If restated based on the revised number of shares outstanding following the share split, net income per share for the fiscal year ended October 31, 2004 would be ¥81.28.

2) Financial position

Millions of yen, rounded down

	As of October 31, 2005	As of October 31, 2004
Total assets	80,929	74,137
Shareholders' equity	41,209	32,088
Equity ratio (%)	50.9	43.3
Shareholders' equity per share (¥)	1,233.20	1,439.70

Notes: (1) Outstanding shares (consolidated) at:
October 31, 2005: 33,389,159 shares October 31, 2004: 22,266,902 shares
(2) If restated based on the revised number of shares outstanding following the share split, shareholders' equity per share as of October 31, 2004 would ¥959.80.

3) Cash flows

Millions of yen, rounded down

	FY ended October 31, 2005	FY ended October 31, 2004
Net cash flow from operating activities	(603)	11,773
Net cash flow from investing activities	(3,202)	961
Net cash flow from financing activities	(567)	(535)
Cash and cash equivalents at end of period	32,557	37,003

4) Matters concerning consolidated subsidiaries and affiliates accounted for by the equity method

Number of consolidated subsidiaries	31
Number of non-consolidated subsidiaries accounted for by the equity method	0
Number of affiliates accounted for by the equity method	3

5) Changes in the scope of consolidation and companies accounted for by the equity method:

Consolidated: New 0, Excluded 1
Companies accounted for by the equity method: New 1, Excluded 1

Forecast for the fiscal year ending October 31, 2006

Millions of yen, rounded down

	Interim period ending April 30, 2006		FY ending October 31, 2006	
		Change %		Change %
Net Sales	150,000	14.4	336,000	15.6
Ordinary Income	2,650	10.3	8,250	27.2
Net Income	1,000	(61.1)	4,400	(30.6)

Note: Consolidated net income per share forecast for the fiscal year ending October 31, 2006: ¥131.78

This forecast contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. Please refer to page 8 for further information.

1. Current State of the H.I.S. Group

H.I.S. Group （H.I.S. Co., Ltd. and its subsidiaries）comprises H.I.S. Co., Ltd., 46 subsidiaries and 8 affiliated companies. The locations and main businesses of the principal subsidiaries are outlined in the following tables, which are organized by the business categories used in segment information.

(1) Travel Business

H.I.S. Group businesses undertake domestic and overseas travel and related operations in the regions outlined in the following table. Consolidated subsidiaries carry out travel-related business in the various business segments.

Subsidiaries

Japan	No. 1 Travel Shibuya Co., Ltd.[1] ARK WORLD Inc.[3] H.I.S. Okinawa Co., Ltd.[1]	Orion Tour Co., Ltd.[1] ATB Co., Ltd.[1] Cruise Planet Co., Ltd.[1]
Asia/ Australia	HIS (HONG KONG) COMPANY LIMITED[1] H.I.S. WESTRALIA PTY LTD.[1] H.I.S. AUSTRALIA PTY. LTD.[1] H.I.S. KOREA CO., LTD.[1] H.I.S. INTERNATIONAL TRAVEL PTE LTD.[1] PT. HARUM INDAH SARI TOURS AND TRAVEL[1] H.I.S. INTERNATIONAL TOURS KOREA INC.[1] H.I.S. TOURS CO., LTD.[1]	H.I.S. MALDIVES TRAVEL PTE LTD[3] H.I.S. TRAVEL (MALAYSIA) SDN BHD.[3] HIS FIJI LIMITED[3] H.I.S. (Cambodia) Travel Co., Ltd.[3] H.I.S. (MACAU) TRAVEL COMPANY LIMITED[3] H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD.[3] H.I.S. Travel (India) Private Limited.[3] HIS Uluslararasi Turizm Seyahat Acentasi Limited Sirketi[3]
The Americas	H.I.S. U.S.A. Inc.[1] H.I.S. INTERNATIONAL TOURS (NY) INC.[1] H.I.S. TOURS (S.F.), INC[1] H.I.S. TOURS USA, INC.[1] HAWAII HIS CORPORATION[1] H.I.S. TOURS (NEVADA) INC.[1]	H.I.S. INTERNATIONAL TOURS (CARIBBEAN) LTD.[1] H.I.S. CANADA INC.[1] H.I.S. GUAM, INC.[1] H.I.S. SAIPAN, INC[1] H.I.S. CANCUN S.A. DE C.V.[1]
Europe	H.I.S. Deutschland Touristik GmbH.[1] H.I.S. INTERNATIONAL TOURS FRANCE[1] H.I.S. EUROPE ITALY S.R.L.[1]	H.I.S. EUROPE LIMITED[1] VIAJES H.I.S.MADRID S.A.[3] H.I.S. (Austria) Travel GmbH[3]

Japan	-----------------	
Asia/ Australasia	NEW WORLD TRAVEL INTERNATIONAL PTY. LTD.[3] H.I.S. TRAVEL (NEW ZEALAND) LTD.[3]	H.I.S. TAIWAN COMPANY LIMITED[2]
The Americas	H.I.S. INTERNATIONAL TOURS (L.A.), INCORPORATED[2]	
Europe	-----------------	

Affiliated Companies

Notes:

1. Consolidated subsidiary 2. Equity-method affiliate 3. Non-consolidated subsidiary/affiliate

During this fiscal year, the following subsidiaries were established: H.I.S. (Cambodia) Travel Co., Ltd., H.I.S. (MACAU) TRAVEL COMPANY LIMITED, H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD., H.I.S. Travel (India) Private Limited and HIS Uluslararasi Turizm Seyahat Acentasi Limited Sirketi.

In September of 2005, the business operations of subsidiary ARK WORLD Inc. ceased and liquidation proceedings began. Due to a disposal of shares of Skymark Tours Co., Ltd. by Skymark Airlines Co., Ltd the Group's shareholdings have decreased and these companies are no longer considered as affiliate companies.

H.I.S. Group subsidiary H.I.S. U.S.A. Inc. is a holding company that holds the shares of H.I.S. INTERNATIONAL TOURS (NY) INC., H.I.S. TOURS (S.F.), INC., H.I.S. TOURS USA, INC., HAWAII HIS CORPORATION, H.I.S. GUAM, INC., H.I.S. SAIPAN, INC and H.I.S. INTERNATIONAL TOURS (L.A.), INCORPORATED. The holding company is included in the Travel business segment.

(2) Hotel Business

H.I.S Group subsidiary H.I.S.INVESTMENTS PTY LTD owns a Hotel on the Gold Coast of Australia and the hotel is managed by subsidiary THE WATERMARK HOTEL GROUP PTY LTD. During this fiscal year, the subsidiary WHG Investments Brisbane Pty. Ltd. was established in Brisbane, Australia.

Affiliated company SIPADAN WATER VILLAGE AND TOURS SDN BHD conducts hotel operations within Asia.

H.I.S. Group subsidiary H.I.S. AUSTRALIA HOLDINGS PTY LTD. is a holding company that holds 100% of the shares of H.I.S. INVESTMENTS PTY LTD., H.I.S. PROPERTIES PTY LTD., THE WATERMARK HOTEL GROUP PTY LTD. and WHG Investments Brisbane Pty. Ltd. The holding company is included in the Hotel business segment.

(3) Other Businesses

Subsidiary Accom Strategic Management Co., Ltd. (formerly H.I.S. Marketing Research Co., Ltd.) conducts management consulting and human resources development. Affiliate EAST ASIA STRATEGIC HOLDINGS LTD. is a consulting company. During the fiscal year, in order to acquire Kyushu Industrial Transportation Co., Ltd, the Group participated in the establishment of affiliate HIS-HS Kyushu Sanko Investment Limited Partnership. In order to prepare for operations in the casualty insurance business, mainly overseas travel insurance, an investment was made in affiliate H.S. INSURANCE PLANNING Co., Ltd.

During the fiscal year, as a result of a third party allocation of shares and an increase in capital of former affiliate Skymark Airlines Co., Ltd., there has been a decrease in shareholdings and the following companies are no longer considered as affiliate companies: Skymark Airlines Co., Ltd., Sky Aircraft Ltd. and Sky Aeroplane Ltd.

Subsidiary H.I.S. PROPERTIES PTY LTD. was previously engaged in the sale of condominiums on the Gold Coast of Australia, but has stopped trading following the sale of the real estate involved. Subsidiary Passeport Co., Ltd. previously operated a domestic food and beverage business, but the company is currently dormant.

Because the subsidiaries and affiliated companies listed above are not included in the scope of consolidation, they are not included in Results by Operating Segment.

The following table depicts Group operating relationships.

Domestic consumers and agencies

H.I.S. Co., Ltd.

Sales of airline tickets, etc.
- No. 1 Travel Shibuya Co., Ltd.
- H.I.S. Okinawa Co., Ltd.
- ATB Co., Ltd.
- Cruise Planet Co., Ltd.

(Subsidiaries)

Sales of airline tickets, etc.

Sales of airline tickets, etc.

Sales of domestic airline tickets etc.
- Ark World Inc.*1
- Orion Tour Co., Ltd..

(Subsidiaries)

Sales of airline tickets, etc.

Sales of airline tickets, etc.

Sales of overseas airline tickets, etc.
- H.I.S. U.S.A. INC.
- H.I.S. INTERNATIONAL TOURS (NY) INC.
- H.I.S. TOURS (S.F.), INC.
- H.I.S. TOURS USA, INC.
- HAWAII HIS CORPORATION
- H.I.S. TOURS (NEVADA) INC.
- H.I.S. GUAM, INC.
- H.I.S. SAIPAN, INC
- H.I.S. INTERNATIONAL TOURS (CARIBBEAN) LTD.
- H.I.S. CANADA INC.
- VIAJES H.I.S. MADRID S.A.
- H.I.S. Deutschland Touristik GmbH.
- H.I.S. INTERNATIONAL TOURS FRANCE
- H.I.S. EUROPE ITALY S.R.L.
- H.I.S. CANCUN S.A. DE C.V.
- H.I.S. EUROPE LIMITED
- HIS (HONGKONG) COMPANY LIMITED
- H.I.S. WESTRALIA PTY LTD.
- H.I.S. AUSTRALIA PTY. LTD.
- H.I.S. KOREA CO.,LTD.
- H.I.S. INTERNATIONAL TRAVEL PTE LTD.
- PT. HARUM INDAH SARI TOURS AND TRAVEL
- H.I.S. INTERNATIONAL TOURS KOREA INC.
- H.I.S. TOURS CO.,LTD.
- H.I.S. MALDIVES TRAVEL PTE LTD
- H.I.S. TRAVEL (MALAYSIA) SDN BHD.
- HIS (FIJI) LIMITED
- H.I.S. (Austria) Travel GmbH
- H.I.S. (Cambodia) Travel Co., Ltd.
- H.I.S. (MACAU) TRAVEL COMPANY LIMITED
- H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD.
- H.I.S. Travel (India) Private Limited.
- HIS Uluslararasi Turizm Seyahat Acentasi Limited Sirket

(Subsidiaries)

- H.I.S. INTERNATIONAL TOURS (L.A.), INCORPORATED
- NEW WORLD TRAVEL INTERNATIONAL PTY.LTD.
- H.I.S. TRAVEL (NEW ZEALAND) LIMITED
- H.I.S. TAIWAN COMPANY LIMITED

(Affiliates)

Sales of airline tickets, hotel bookings, etc.

Sales of airline tickets, hotel bookings, etc.

Hotel booking sales

Hotel business/Real estate business
- H.I.S. AUSTRALIA HOLDINGS PTY LTD
- H.I.S. INVESTMENTS PTY LTD
- H.I.S. PROPERTIES PTY LTD *2
- THE WATERMARK HOTEL GROUP PTY LTD
- WHG Investments Brisbane Pty. Ltd.

(Subsidiaries)

- SIPADAN WATER VILLAGE AND TOURS SDN BHD.

(Affiliate)

Training and research

Other
- Accom Strategic Management Co., Ltd. (formerly H.I.S. Marketing Research Co., Ltd.)

(Subsidiary)

- EAST ASIA STRATEGIC HOLDINGS LIMITED
- HS-HIS Kyushu Sanko Investment Limited Partnership
- H.S. Insurance Planning Co., Ltd.

(Affiliates)

Foods business
- Passeport Co., Ltd. *2

(Subsidiary)

*1 Liquidation in progress

*2 Currently dormant

2. Management Policy

(1) Basic management policy

H.I.S. Group's corporate philosophy is to promote human interaction and understanding and contribute to creative development and world peace. Under this philosophy we seek to communicate with people, maintain a balance between the material and the spiritual, and operate with a frontier spirit. In our core travel operations we are pursuing global business expansion, based on the development of products and services that closely meet the diverse needs of our customers, and making use of information technology to maximize customer satisfaction.

(2) Allocation of Profits

1) Basic approach to allocation of profits

Returning profits to shareholders is one of our key management issues. We aim to maximize Group enterprise value, and at the same time pay stable and continuous dividends based on our financial performance and taking into account overall factors including global economic and business trends, the state of the Group, and future business development.

2) Basic approach to dividends

The intent of our dividend policy is to enable the continuous, stable payment of dividends to shareholders. Company dividend policy includes provision for the payment of an interim dividend. However, as there is a trend for the proportion of sales, etc. recorded in the second half of the year to be relatively higher, in order to reflect results in dividends fairly, dividends paid will be in respect of the whole year. At present we are planning to make a year-end dividend payment of ¥17.50 per common share.

3) Utilization of internal capital reserves

In order to prepare for competition and restructuring within the industry, implement improved customer service in Japan and overseas through expansion of our branch network, actively respond to a rapidly changing IT environment and respond to unforeseen events such as SARS (Severe Acute Respiratory Syndrome) and terrorism the need to establish a stable financial base is increasing and we thus aim to maintain a relative high level of retained profits in order to provide stability to our business operations.

(3) Management goals and indicators

Efforts are underway to increase efficiencies throughout the Group by actively utilizing our global network of purchasing, planning and sales, to improve and raise the efficiency of IT systems and strengthen education and training, with the aim of further improving the productivity of each individual employee.

(4) Medium- to long-term business strategy

Through focusing our Group's business resources on our core travel business, we aim to establish a market advantage. With our highly individualized staff each bearing a passion for travel we aim to create an energized, worker-friendly environment and with booking and planning services that are responsive to a changing environment, we aim to be able to meet the various needs of our customers and offer them the vacation of their dreams. In addition, while actively leveraging IT such as the internet we aim to enhance customer convenience and to be a travel company that has the support and trust of its customers.

The key details of the Group's 3-year business plan, which began in November 2003, are discussed below.

- Increasing share of overseas departures

  New policies have been implemented to capture more of the market for overseas departures from Japan by value and volume with the aim of being the top provider. Specifically, efforts are underway to further increase share in key areas such as corporate and group tours and escorted tours for seniors, where continued strengthening of demand is forecasted.

- Customers of the Internet age

  While further adapting to the internet age, we plan to establish the travel industry's No. 1 website anticipating customers' needs with improved product and travel information content, and home page functionality. At the same time we aim to create new possibilities from the internet, primarily through our e-business division.

- Enhancing the foundations of our global strategy
  Through strengthening our network of overseas branches, and by differentiating and strengthening our services to Japanese traveling overseas, we will continue to work towards being a global travel company by handling travel arrangements for departures from overseas locations.

- Improving stakeholder satisfaction
  We continue to strengthen our business organization to encourage long-term support from our stakeholders, including our customers, shareholders and employees.

(5) Key issues

With the strong rise in demand for overseas travel the number of Japanese traveling overseas reached near record levels in 2005. While this was partly due to improvements in the domestic economy and the external environment looking ahead, we expect a gradual increase in the number of overseas departures. In this environment the key issues that need to be addressed by the Group include:

- Meeting diverse customer needs
  With the shift in demand from group travel to individual travel, products that provide a higher level of freedom to so-called 'independent travelers' are being well received in the Japanese market. The Group aims to build a structure that can offer suitable products addressing customers needs and enhance sales and individual service by not only expanding our existing product line-up but also by addressing market demand with a diversity of sales channels including online reservations.

- Competition with major travel companies and internet sales agents
  Competition with major travel agencies that are strengthening their position in the market for individuals' overseas travel and with specialized internet travel companies continues. As such, the Group endeavors to provide suitable products addressing customers' needs, to enhance our consulting capacities and to build an even stronger foundation in the independent travelers market. Also, in addition to advancing automation of online booking, the call center and integrated branch retail system (both clicks and mortar), we are developing a sales system able to address the high demands of customers.

- Corporate and group travelers and the senior segment
  Using the wealth of booking and product planning expertise that we have gained from our travel business for individuals, we are actively implementing sales to corporations and groups mainly in major metropolitan areas, with the aim of these rapidly becoming 10% of our total sales. Additionally, we expect to capture a greater share of the growing seniors segment by raising the overall level of awareness of our Group, and in the experienced overseas traveler segment we will differentiate ourselves from our competitors with a greater product line-up of guided tour packages.

- Development of human resources, training and research
  We are aware of the need to foster and maintain the excellence of our human resources to enable us to meet the diversifying needs of our customers. Along with focusing on HR development aimed at improving employee productivity, we are also improving training and research aimed at increasing the capabilities of our staff.

(6) Basic corporate governance related policies and the status of their implementation

1) Basic corporate governance related policies

The Group overall aims to pursue transparent, equitable and prompt management, and to operate with full awareness of our accountability to shareholders and other stakeholders. In consideration of the Group's scale and structure, and with regard to management efficiency, we intend to continue using a corporate auditor system, while at the same time pursuing effective corporate governance and ensuring thorough implementation of compliance procedures under the guidance of our corporate philosophy.

(2) Status of corporate governance policy implementation

a. Status of the Company's management administration system for management decision making, execution, supervision and other corporate governance systems

Important management matters, including those affecting Group policy, are presented to and decided upon by regular (monthly) or special meetings of the Company's Board of Directors. Outside directors and corporate auditors actively participate and contribute to a sound and appropriate decision-making process from their respective perspectives through asking questions and providing suggestions and advice. Each of the three corporate auditors is an outside corporate auditor. In addition one outside director who is experienced in the field of corporate governance and compliance has been appointed, and an appraisal of corporate strategy and important items of business execution is conducted.

b. Preparations and status of our risk management system

For important legal issues and compliance matters the legal representative of the General Affairs Department conducts the required investigations and also receives legal advice from legal specialists. Through this system we aim to create plans for immediate risk mitigation should a risk occur; this also acts as a preventative measure against any breach of the law or other illegal act.

c. Status of accounts auditing

The Company has appointed independent auditors Deloitte Touche Tohmatsu to perform auditing for the fiscal year end and interim reports under the Special Law for Exceptions to the Commercial Code and the Securities Exchange Law. There is no relationship of beneficial interest between the Company and its independent auditors or the actual auditors who perform audits.

d. Summary of personal, business and financial relationships between outside directors and auditors and the Company

Of the outside auditors, one is a certified public accountant but has no beneficial relationship with the Company. Additionally, there is no relationship of beneficial interest between the Company and the other auditors and directors.

e. Remuneration paid to Directors and Corporate Auditors

Directors' annual compensation: ¥133 million

Statutory Auditors' annual compensation: ¥16million

f. Remuneration and fees paid to independent auditors

Remuneration paid to auditing firm for Auditor's Report: ¥26 million

Additional fees: ¥3 million

g. Status of selected corporate governance improvement initiatives over the past year

By maintaining and managing operational systems while remaining aware of corporate governance and accountability, we are striving to embed our corporate philosophy and ensure the smooth functioning of compliance. Concrete measures include surveys of all employees, including department and section heads, along with education and training concerning compliance and the protection of customer data. We are also extending efforts to instill our Corporate Code of Conduct.

(7) Basic policies concerning related parties

No items.

3. Operating Results and Financial Position

1. Operating Results

(1) Overview of consolidated results for the fiscal year ended October 31, 2005

The Japanese economy demonstrated a trend of gentle recovery in the fiscal year under review. Corporate profits continued to improve and employment and personal incomes also strengthened as production increased, driven by higher capital expenditure and exports.

Following the Sumatra earthquake, anti-Japanese demonstrations in South Korea and China and terrorist attacks in London and Bali, there was a temporary decrease in demand for travel to those regions. However, overall the travel industry recovered strongly, supported not only by travel by the senior segment, but also that by families and young professional women groups and the number of people traveling abroad in 2005 is expected to reach 17.3 to 17.4 million, second only to the record numbers seen in 2000.

In this environment our travel business focused on actively promoting sales to our core customer groups (individuals, younger travelers, experienced overseas travelers, and leisure travelers). We also targeted senior customers by increasing sales of our 'Impresso' range of escorted tours and strengthened sales of our high-grade products such as the 'Executive Section', which is specifically aimed at sales of business class and first class tickets to affluent customers. In package tours, we sought to further enhance our position as the No. 1 brand with independent travelers, taking measures to improve our price competitiveness and consulting capabilities. We also strove to increase sales by offering our proprietary support services and other additional services at our own overseas branches. In group package travel, we took measures to differentiate our services and attract customers by boosting seat availability and improving our product planning, centered on our 'Ciao' range of highly flexible packaged products. Further, through the use of chartered flights, and by increasing our range of overseas travel products, we have received an extremely favorable reaction by eliminating the seat unavailability at peak times and by developing our own proprietary products. Regarding promotions, through the use of the former baseball Major Leaguer Tsuyoshi Shinjo and the actress Mari Natsuki, we have developed a range of campaigns that increase the brand recognition of the Group, as well as generating interest in individual travel.

Other sales activities we undertook included strengthening our support organization overseas with the aim of improving customer services, and launching Japanese language support overseas, the 'Free Time Support Call'.

Through such sales activities, in the travel operations business we achieved sales of ¥289,302 million and operating income of ¥7,764 million.

Sales from hotel operations greatly improved to ¥1,264 million and operating income rose to ¥29 million, due to a strong domestic economy in Australia and an increase in demand for Gold Coast hotel accommodation.

Sales from other operations, primarily real estate, were impacted by the sale in December 2004 of one of our principal buildings in Japan, which had been a core source of rental revenues.

Overall, consolidated sales for the fiscal year ended October 31, 2005 were ¥290,593 million, with consolidated ordinary income of ¥6,483 million and net income of ¥6,340 million.

(2) Forecasts for fiscal 2006

In our travel operations, despite concern over avian influenza in some regions, we expect that demand for overseas travel is expected to increase, supported by an improving business environment. In particular, increases are expected in demand for travel to Europe arising from the desire to travel abroad amongst senior customers, and for leisure holidays centered on beach holidays amongst young professional women in their thirties and family customers.

We intend to continue measures to differentiate ourselves from other companies, ensuring that our product lineup meets the diverse needs of independent travelers and further boosting our consulting capabilities. Regarding our core 'Ciao' range of package tours, we will continue to add products with price appeal and improve our high-grade products, which make use of deluxe hotels, and strive to raise unit prices. Furthermore, we will raise sales of our 'Impresso' range of escorted tours centered on Europe and carry out other upgrades. We will make efforts to increase the number of destinations and products offered and so strengthen activities aimed at customer segments where further growth is expected, such as repeat customers, senior customers, and affluent customers. We will proactively allocate more personnel to corporate and group tours, and increase corporate contracts which offer services tailored to the needs of companies and organizations who frequently travel, focusing on large metropolitan areas. Moreover, in internet sales, as well as fully implementing online booking from airline tickets to package tours via the e-business division, which was established last fiscal year, we will improve our ability to attract customers through upgrading our website, aiming for user-friendliness, along with improving products and information related to travel. To improve operating efficiency and raise service levels we intend to make use of our 'Challenge' booking system, simplifying operations at booking terminals, and reducing the amount of non-customer contact time required to handle bookings while reducing the number of back office staff and improving productivity per sales employee.

Subsidiary ATB will strengthen its sales structures with an emphasis on profitability and reduce SG&A expenses aiming to restore profitability for the fiscal year. It will continue to maintain a strategic focus on sales to Asian destinations, and will aim to take the No. 1 position in the travel market with foreign customers living in Japan, while also improving brand recognition in other such niche markets as travel arrangements to rarely visited regions. Subsidiary Orion Tour, will continue to open new inter-city bus routes in its bus operations and develop new customer markets, while also striving to improve customer services through such activities as operating women-only buses. Subsidiary Cruise Planet will aim to leverage the guaranteed availability of seating for customers gained through direct booking contracts with ship companies and retain current customers as well as improving product lineups and making efforts to procure new customers.

In hotel operations, we have begun development of new businesses in Brisbane, including facilities on the Gold Coast. In response to the continued high demand for travel to Australia, we will strive to maintain stable profitability and increase sales in the hospitality division, not only through accommodation for those traveling from overseas, but also by attracting such business as accommodation and meeting venues for the Australian domestic market.

2. Financial Position

(1) Overview of consolidated cash flows in the fiscal year ended October 31, 2005
Cash and cash equivalents as of October 31, 2005 were ¥32,557 million, ¥4,445 million lower than a year earlier. An increase in net income before taxes and income from the disposal of fixed assets were the main contributors towards an increase in income, cash and cash equivalents declined, largely as a result of a decrease in trade payables and an increase in corporate income tax as well as expenses associated with the acquisition of marketable securities and investment securities. .

Cash flows from operating activities

Cash flow from operating activities during the fiscal year under review showed an outflow of ¥603 million. The main factors contributing positively to operating cash flow were net income before taxes of ¥8,117 million and an increase in prepayments for holidays of ¥2,801 million as a result of higher business volumes. On the other hand, the main factor contributing negatively to operating cash flow was the payment of notes and accounts payable of ¥5,391 million at the beginning of the fiscal period which resulted from the final day of the previous fiscal year falling on a bank holiday. Further, due to higher business volumes, sales credit increased by ¥1,753 million and prepayments for holidays were up ¥1,467 million. Tax-related outflows included a decrease in deferred consumption tax of ¥258 million and payment of corporate tax of ¥3,592 million.

In the previous fiscal year ended October 31, 2004 cash flow from operating activities increased ¥11,773 million. This was mainly a result of recovery from the dampening of demand caused by SARS and avian influenza resulting in net income before taxes of ¥5,590 million along with the fact that the final day of the fiscal period fell on a bank holiday and so the payment of notes and accounts payable amounting to ¥5,391 million was held over to the following month.

As a result of the above factors cash flow from operating activities in the fiscal year ended October 31, 2005 showed an outflow of ¥603 million, a decrease of ¥12,376 million compared to the previous fiscal year. This was mainly due to the decrease in notes and accounts payable of ¥12,666 million and the increase in corporate tax payments of ¥1,384 million compared to the previous fiscal year.

Cash flow from investing activities

Cash flow from investing activities in the fiscal year under review showed an outflow of ¥3,202 million. The main factors contributing positively to cash flow from investing activities were the sale of land and buildings held by the company in Chuo-ku, Tokyo, for ¥3,808 million. The main cash outflows from investing activities were related to the active acquisition of marketable and investment securities for the purpose of cash management totaling ¥4,815 million and including ¥2,000 million to purchase bonds issued by Sanko-Soflan Co., Ltd. and ¥1,000 million to purchase bonds issued by GMAC International Finance B.V. Further, we invested ¥1,020 million in HIS-HS Kyushu Sanko Investment Limited Partnership and spent ¥1,130 million on the acquisition of tangible and intangible assets.

In the previous fiscal year ended October 31, 2004 there was a net cash-in-flow from investing activities of ¥961 million. The main factor contributing positively to investing cash flow was the repayment of a ¥2,530 million loan to Skymark Airlines. Factors contributing negatively to investing cash flow were a ¥499 million investment into TGR Investment Inc. for the purpose of cash management and an outlay of ¥1,091 million for the acquisition of tangible and intangible assets.

As a result of the above cash flow from investing activities in the fiscal year ended October 31, 2005 showed an outflow of ¥3,202 million, a decrease of ¥4,163 million from the previous fiscal year. This was mainly due to an increase in purchasing of marketable and investment securities ¥4,015 million compared to the previous fiscal year.

Cash flows from financing activities

Cash flow from financing activities in the fiscal year under review showed an outflow of ¥567 million. This was mainly due to the payment of ¥501 million in dividends and the acquisition of treasury stock for ¥31 million. Dividend payments included an ordinary dividend of ¥15 per common share and a special dividend of ¥7.5 per share to commemorate the move to the 1st section of the Tokyo Stock Exchange.

Cash flow from financing activities in the previous fiscal year ended October 31, 2004 showed an outflow of ¥535 million. This was mainly due to the payment of ¥335 million in dividends at a rate of ¥15.00 per common share and the acquisition of treasury stock for ¥270 million.

As a result of the above cash flow from financing activities in the fiscal year ended October 31, 2005 showed an outflow of ¥567 million, representing a decline of ¥32 million from the previous fiscal year. This was mainly due to an increase in dividend payments of ¥165 million compared to the previous fiscal year and a decrease in purchase of treasury stock by ¥239 million.

(2) Cash flow indices

	FY ended October 31, 2005	FY ended October 31, 2004	FY ended October 31, 2003
Equity ratio (%)	50.9	43.3	51.1
Equity ratio based on market price (%)	102.1	92.1	86.9
Debt service coverage (years)	—	0.0	0.1
Interest coverage ratio	—	1,235.6	174.6

Notes:

A) Equity ratio = Total shareholders' equity/Total assets

B) Equity ratio based on market price = Market capitalization/Total assets

C) Debt service coverage = Interest-bearing debt/Operating cash flow

D) Interest coverage ratio = Operating cash flow/Interest paid

* All indices are calculated from consolidated financial results figures.

* Market capitalization = period end market price x total shares outstanding at end of period (excluding treasury stock).

* Interest-bearing debt is the interest-bearing portion of liabilities recorded on the consolidated balance sheet.

* Operating cash flow and Interest paid are the respective figures in the consolidated statements of cash flows.
* Debt service coverage and the interest coverage ratio are not recorded for the fiscal year ended October 31, 2005, as operating cash flow was negative in that period.

4. Consolidated Financial Statements

Consolidated Balance Sheets

Millions of yen

	As of October 31, 2005	%	As of October 31, 2004	%	Change
ASSETS		%		%	
Current assets					
Cash and deposits	33,097		36,819		(3,722)
Notes & accounts receivable	2,965		2,589		375
Accrued sales receivable	7,810		6,200		1,609
Marketable securities	3,149		2,879		269
Deferred tax assets	1,320		1,235		85
Travel deposits	5,933		4,480		1,453
Prepaid expenses	710		703		7
Short-term loans receivable	373		751		(378)
Short-term loans to affiliates	301		34		267
Other current assets	849		558		291
Allowance for doubtful accounts	(0)		(70)		69
Total current assets	56,511	69.8	56,181	75.8	329
Fixed assets					
Tangible fixed assets					
Buildings and structures	4,043		4,064		(21)
Equipment and fittings	844		834		9
Land	1,176		3,289		(2,113)
Other fixed assets	96		105		(8)
Total tangible fixed assets	6,160	7.6	8,293	11.2	(2,133)
Intangible fixed assets	1,691	2.1	2,325	3.1	(633)
Investments and other assets					
Investments in securities	10,583		1,734		8,848
Shares in affiliates	1,134		1,022		112
Investments in affiliates	27		29		(2)
Long-term loans receivable	525		98		426
Long-term loans to affiliates	6		--		6
Long-term prepaid expenses	17		28		(11)
Guarantee deposits	3,912		3,779		133
Deferred tax assets	39		455		(416)
Other investments and other assets	406		279		126
Allowance for doubtful accounts	(86)		(91)		4
Total investments and other assets	16,566	20.5	7,336	9.9	9,230
Total fixed assets	24,418	30.2	17,955	24.2	6,462
Total Assets	**80,929**	**100.0**	**74,137**	**100.0**	**6,792**

Consolidated Balance Sheets

	Millions of yen				
	As of October 31, 2005		As of October 31, 2004		Change
LIABILITIES		%		%	
Current liabilities					
Notes & accounts payable	12,862		16,652		(3,789)
Short-term borrowings	41		98		(57)
Long-term debt due to be repaid within one year	13		12		0
Accrued payable	724		711		12
Accrued expenses	1,279		1,392		(113)
Accrued income taxes	691		2,109		(1,417)
Accrued consumption taxes	298		559		(261)
Pre-trip deposits	17,976		15,200		2,776
Accrued bonuses	1,587		1,456		131
Reserve for losses on liquidation of affiliates	350		--		350
Other current liabilities	1,252		1,256		(3)
Total current liabilities	37,077	45.8	39,450	53.2	(2,373)
Long-term liabilities					
Long-term debt	234		203		30
Deferred tax liabilities	163		9		153
Accrued employees' retirement benefits	937		851		86
Accrued directors' and statutory auditors' retirement benefits	411		347		64
Other long-term liabilities	62		198		(135)
Total long-term liabilities	1,809	2.3	1,610	2.2	198
Total liabilities	38,886	48.1	41,060	55.4	(2,174)
MINORITY INTERESTS					
Minority interests	834	1.0	987	1.3	(153)
SHAREHOLDERS' EQUITY					
Common stock	6,882	8.5	6,882	9.3	--
Capital surplus	7,782	9.6	7,778	10.5	3
Retained earnings	25,396	31.4	17,793	24.0	7,603
Unrealized holding gains (losses) on securities	945	1.2	(241)	(0.3)	1,187
Translation adjustments	1,045	1.3	690	0.9	355
Treasury stock	(842)	(1.1)	(814)	(1.1)	(28)
Total shareholders' equity	41,209	50.9	32,088	43.3	9,120
Total Liabilities, Minority Interests and Shareholders' Equity	**80,929**	**100.0**	**74,137**	**100.0**	**6,792**

CONSOLIDATED RESULTS: FISCAL YEAR ENDED OCTOBER 31, 2005

Consolidated Statements of Income

Millions of yen

	FY ended October 31, 2005		FY ended October 31, 2004		Change
Net sales	290,593	100.0	261,755	100.0	28,838
Cost of sales	245,512	84.5	220,463	84.2	25,049
Gross profit	45,081	15.5	41,292	15.8	3,789
Selling, general and administrative expenses	39,607	13.6	36,721	14.0	2,886
Operating income	5,473	1.9	4,570	1.8	903
Non-operating income					
Interest income	242		214		28
Commission income	4		23		(19)
Foreign exchange gains	280		133		147
Income from equity-accounted affiliates	254		343		(89)
Miscellaneous income	270		108		161
Total non-operating income	1,052	0.3	823	0.3	229
Non-operating expenses					
Interest expense	8		9		(0)
Addition to allowance for bad debts	--		0		(0)
Miscellaneous expenses	33		26		6
Total non-operating expenses	42	0.0	36	0.0	5
Ordinary income	6,483	2.2	5,357	2.1	1,126
Extraordinary gains					
Income from recovery of bad debts	--		40		(40)
Gain on sale of fixed assets	1,499		17		1,482
Gain on sale of investment securities	11		0		10
Profit from changes in equity shares	1,116		--		1,116
Income from contract cancellation	--		300		(300)
Others	17		21		(3)
Total extraordinary gains	2,645	0.9	379	0.1	2,265
Extraordinary losses					
Loss on disposal of fixed assets	66		70		(4)
Loss on sale of fixed assets	2		8		(5)
Loss on sale of investment securities	7		--		7
Loss on redemption of marketable securities	442		--		442
Prior year sales tax	3		48		(45)
Addition to reserve for losses on liquidation of affiliates	350		--		350
Others	139		19		120
Total extraordinary losses	1,011	0.3	146	0.1	865
Net income before income taxes	8,117	2.8	5,590	2.1	2,526
Income taxes—current	2,054	0.7	3,104	1.1	(1,049)
Income taxes—prior	(2)	(0.0)	--	--	(2)
Income taxes—deferred	(326)	(0.1)	(354)	(0.1)	27
Minority interests	51	0.0	88	0.0	(37)
Net income	**6,340**	**2.2**	**2,751**	**1.1**	**3,588**

Consolidated Statements of Surplus

Millions of Yen

	FY ended October 31, 2005	FY ended October 31, 2004	Change
Capital surplus			
Capital surplus at beginning of period	**7,778**	**7,778**	**0**
Increase in capital surplus:			
Profit from sale of treasury stock	3	0	3
Capital surplus at end of period	**7,782**	**7,778**	**3**
Retained earnings			
Retained earnings at beginning of period	**17,793**	**16,177**	**1,615**
Increase in retained earnings from:			
Net income	6,340	2,751	3,588
Increase in consolidated subsidiaries	--	0	(0)
Decrease in consolidated subsidiaries	296	--	296
Decrease in companies accounted for by the equity method	1,497	--	1,497
Total increase in retained earnings	8,134	2,751	5,383
Decrease in retained earnings from:			
Dividends	501	335	165
Directors' and Statutory Auditors' bonuses	29	23	6
Of which Statutory Auditors' bonuses	1	0	0
Retirement of treasury stock	--	708	(708)
Decrease in consolidated subsidiaries	--	48	(48)
Decrease in companies accounted for by the equity method	--	19	(19)
Total decrease in retained earnings	530	1,135	(604)
Retained earnings at end of period	**25,396**	**17,793**	**7,603**

Consolidated Statements of Cash Flows

Millions of yen

	FY ended October 31, 2005	FY ended October 31, 2004	Change
I. Cash flows from operating activities			
Net Income before income taxes	8,117	5,590	2,526
Depreciation and amortization	1,186	1,101	85
Amortization of consolidation goodwill	599	727	(128)
Increase (decrease) in allowance for doubtful accounts	(78)	31	(110)
Increase in accrued bonuses	131	315	(184)
Increase in accrued employees' retirement benefits	98	169	(70)
Increase in accrued directors and statutory auditors' retirement benefits	64	63	1
Increase in reserve for losses on liquidation of affiliates	350	--	350
Interest and dividend income	(304)	(227)	(77)
Loss (gain) on equity-accounted affiliates	(254)	(343)	89
Loss (gain) from foreign exchange	(80)	6	(86)
Interest expense	8	9	(0)
Gain on sale of marketable securities	(1)	--	(1)
Gain on sale of investment securities	(11)	(0)	(10)
Profit from change in equity share	(1,116)	--	(1,116)
Loss on redemption of marketable securities	442	--	442
Loss on sale of investment securities	7	0	7
Appraisal loss on investment securities	31	0	31
Gain on sale of tangible fixed assets	(1,499)	(17)	(1,482)
Loss on sale of tangible fixed assets	2	8	(5)
Loss on disposal of tangible fixed assets	66	70	(4)
Other extraordinary losses	10	43	(32)
Increase in accounts receivable	(1,753)	(2,266)	513
Increase in prepaid travel deposits	(1,467)	(2,516)	1,048
Increase in other assets	(576)	(426)	(149)
Increase (decrease) in notes and accounts payable	(3,698)	8,968	(12,666)
Increase (decrease) in accrued consumption taxes	(258)	486	(745)
Increase (decrease) in accrued expenses	(20)	271	(292)
Increase in pre-trip deposits	2,801	1,869	932
Other decreases in liabilities	(112)	(75)	(37)
Bonus paid to directors and statutory auditors	(31)	(25)	(6)
Sub-total	**2,652**	**13,834**	**(11,182)**
Interest and dividends received	343	156	187
Interest paid	(7)	(9)	2
Income taxes paid	(3,592)	(2,207)	(1,384)
Net cash provided by (used in) operating activities	**(603)**	**11,773**	**(12,376)**
II. Cash flows from investing activities			
Increase in term deposits	(4,186)	(2,084)	(2,101)
Decrease in term deposits	3,402	1,677	1,725
Purchase of marketable securities	(403)	--	(403)
Proceeds from sale of marketable securities	1	--	1
Proceeds from redemption of marketable securities	580	400	180
Purchase of tangible and intangible fixed assets	(1,130)	(1,091)	(39)
Proceeds from sale of tangible and intangible fixed assets	3,844	22	3,821
Purchase of investment securities	(4,412)	(799)	(3,612)
Purchase of shares of affiliates	(1,071)	(42)	(1,029)
Purchase of shares from minority shareholders	(130)	--	(130)
Proceeds from sale of investment securities	293	2	291

[Continued from previous page]

Proceeds from redemption of investment securities	183	--	183
Proceeds from investments in affiliate companies and other holdings	2	--	2
Increase in loans receivable	(10)	(224)	213
Collection of loans receivable	50	3,327	(3,276)
Increase in guarantee deposits	(708)	(795)	87
Collection of guarantee deposits	497	613	(116)
Others	(5)	(45)	39
Net cash provided by (used in) investing activities	**(3,202)**	**961**	**(4,163)**
III. Cash flows from financing activities			
Increase in short-term borrowings	140	98	41
Repayment of short-term debt	(197)	(9)	(187)
Increase in long-term borrowings	44	--	44
Repayment of long-term debt	(13)	(13)	(0)
Cash dividends paid	(501)	(335)	(165)
Distribution of dividends to minority shareholders	(15)	(5)	(10)
Purchase of treasury stock	(31)	(270)	239
Proceeds from sale of treasury stock	6	0	5
Net cash used in financing activities	**(567)**	**(535)**	**(32)**
IV. Effect of exchange rate changes on cash and cash equivalents	**(25)**	**(260)**	**234**
V. Increase (decrease) in cash and cash equivalents	**(4,399)**	**11,939**	**(16,338)**
VI. Cash and cash equivalents at beginning of period	**37,003**	**24,969**	**12,033**
VII. Cash and cash equivalents of newly consolidated subsidiaries at beginning of period	**--**	**94**	**(94)**
VIII. Decrease in cash and cash equivalents resulting from exclusions from consolidation	**(46)**	**(0)**	**(46)**
IX. Cash and cash equivalents at end of period	**32,557**	**37,003**	**(4,445)**

Basis of Presentation of Consolidated Financial Statements

1. Scope of Consolidation

The H.I.S. Group comprises 31 consolidated subsidiaries. The consolidated subsidiary ARK WORLD Inc. has been excluded from consolidation as of the end of this fiscal year due to the conclusion of its operating activities in September of 2005. The names of consolidated subsidiaries are provided in the table of Group operating relationships on page 4.

2. Application of the Equity Method

3 companies are accounted for by the equity method. From the end of this fiscal year HIS-HS Kyushu Sanko Investment Limited Partnership has been accounted for by the equity method. Additionally, as a result of a third party allocation of shares and an increase in capital of former affiliate Skymark Airlines Co., Ltd. in September 2005, our percentage shareholdings declined and it is no longer considered as an affiliate and the equity method is no longer applied. The names of companies to which the equity method is applied are provided in the table of Group operating relationships on page 4.

3. Fiscal Year End of Consolidated Subsidiaries

Foreign subsidiaries and domestic consolidated subsidiary H.I.S. Okinawa Co., Ltd. have a July 31st year-end. Domestic consolidated subsidiaries Orion Tour Co., Ltd. and ATB Co., Ltd. have a September 30th year-end. For each of these companies' financial statements as of their respective balance sheet dates were used for the preparation of consolidated financial statements. The consolidated financial statements were adjusted for material transactions between the fiscal year-end of subsidiaries and the consolidated balance sheet date.

4. Summary of Significant Accounting Policies

(1) Valuation Standards and Accounting Treatment for Important Assets

(1) Securities

Bonds held to maturity:

Bonds are valued using the cost amortization method (Straight line method).

Other securities:

Securities with market value:

Securities with market value are valued at market on the balance sheet date.

(The entire difference between the book value and the appraisal value is directly charged or credited to shareholders' equity. The cost of such securities sold is mainly computed by the moving average method.)

Securities without market value:

Securities without market value are valued at cost, which is determined by the moving average method.

(2) Derivatives

Derivatives are stated at market value.

(2) Method for Depreciating Important Assets

(1) Tangible fixed assets

H.I.S. CO., LTD. and its domestic consolidated subsidiaries compute depreciation for buildings (excludes structures attached to buildings) primarily using the straight-line method) and the declining balance method for other items. Foreign consolidated subsidiaries compute depreciation primarily using the straight-line method.

Estimated useful lives of tangible fixed assets are mainly as follows:

Buildings and structures: 2-52 years

Equipment and fittings: 2-20 years

(2) Intangible fixed assets

H.I.S. CO., LTD and its domestic consolidated subsidiaries compute amortization primarily using the straight-line method. Foreign subsidiaries compute amortization primarily using the straight-line method based on local accounting standards. Amortization of software for in-house use is computed by the straight-line method, assuming a useful life of 5 years. In accordance with Commercial Law trading rights etc., are amortized over an average period of 5 years.

(3) Long-term prepaid expenses

Amortization is computed by the straight-line method.

(4) Deferred assets

New share issue expenses are charged to expense as incurred.

(3) Important Reserves

(1) Allowance for doubtful accounts

In order to provide for losses in respect of bad and doubtful accounts, the allowance for doubtful accounts is provided for primarily at rates based on past collection experience. In addition, the amount deemed necessary to cover individual uncollectible receivables, based on management's estimate of the collectability of each, is provided for.

(2) Accrued bonuses

Accrued bonuses for employees are based on estimated amounts to be paid.

(3) Accrued employees' retirement benefits

Accrued employee retirement benefits are provided for on the basis of retirement benefit obligations as of the end of the fiscal year.

Past service liabilities are mainly calculated by the straight-line method based on a period (5 years) that is less than the average remaining years of service of employees. Additionally, the difference in the actuarial calculation is mainly charged as a one-time expense in the following fiscal period.

(4) Accrued directors' and statutory auditor's retirement benefits

The required Directors' retirement benefit reserve payments as of the end of the fiscal period are provided for based on the Company's internal rules for allowance for directors' retirement benefits.

(5) Reserve for losses on liquidation of affiliates

Losses related to the liquidation of affiliates are forecast and provided for taking into account items such as the financial position of the affiliate company.

(4) Translation of material foreign currency denominated assets and liabilities into Japanese yen

Foreign currency denominated assets and liabilities are translated into yen amounts at the rates of exchange in effect at the balance sheet date, and translation gains and losses are accounted for as a profit or loss. Assets and liabilities, and income and expenses of overseas subsidiaries are translated into yen amounts at the rates of exchange in effect at the balance sheet date. The translation differences arising in respect of assets and liabilities are included in minority interests or the foreign currency translation adjustment account in shareholders' equity, and those in respect of income and expenses are treated as gains and losses.

(5) Accounting treatment of significant leases

Finance leases, other than those that transfer ownership of the leased assets to the lessee, are treated in the same way as ordinary operating leases for accounting purposes.

(6) Significant hedge accounting methods

(1) Hedge accounting

In principal, deferred hedge accounting is used. Forward foreign exchange contracts are allocated specific hedged risks when they meet the criteria for qualification.

(2) Hedging methods and risks hedged

Hedging methods: forward foreign exchange contracts.

Risks hedged: foreign currency denominated accrued operational expenses.

(3) Hedging policy

Based on our internal 'Market Risk Management Regulations', foreign exchange rate fluctuation risk is hedged.

(4) Assessing the effectiveness of a hedge

The effectiveness of the hedge is measured on a bi-annual basis through a comparative analysis of the fluctuations in the cumulative cash flows from hedging instruments and the risks hedged.

(7) Other significant accounting policies

Accounting for consumption tax: The consumption tax exclusion method is applied.

5. Assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are valued at market.

6. Goodwill arising from consolidation

Goodwill arising from consolidation is amortized on a straight-line basis over five years.

7. Appropriation of retained earnings

The appropriation of retained earnings reflected in the accompanying consolidated statements of surplus represent appropriations that were approved and disposed of during that consolidated accounting period by consolidated subsidiaries.

8. Cash and Cash Equivalents for the Purpose of Consolidated Cash Flow Statements

For the purpose of the consolidated cash flow statements, the company considers the following as cash and cash equivalents: cash on hand, demand deposits, and highly liquid short-term investments with original maturities of 3-months or less and without significant risk of change in value.

FY ended October 31, 2005	FY ended October 31, 2004
(Consolidated Statements of Income) In the previous consolidated fiscal period 'Loss on sale of investment securities' was included in 'Others' under Extraordinary Losses but from this consolidated fiscal period has been separately recorded. In the previous consolidated fiscal period the amount of 'Loss on sale of investment securities' was 0 million yen.	―――――――

FY ended October 31, 2005	FY ended October 31, 2004
1. Following the promulgation from March 31, 2003 of the Partial Revisions to the Law Concerning Regional Tax (2003 Article 9) for fiscal years commencing on or after April 1, 2004, and along with the introduction of the tax system based on business size 'Treatment of the tax based on business size portion of corporate taxes in the Statements of Income' (February 13, 2004, Corporate Accounting Standards Committee Practice Report 12), from the current fiscal year the proportionate amounts of corporation tax on value added and capital have been included in Selling, General and Administrative expenses. As a result Selling, General and Administration expenses increased by ¥138 million and operating income, ordinary income and income before taxes, etc. each decreased by ¥138 million.	1. Formerly, at the end of the consolidated fiscal year, of airline ticket issue expenses those in respect of October departures were accounted for as accrued liabilities. However, from the current consolidated fiscal period the total amount of ticket sales has been recorded as payable and the amounts in respect of departures for November and later have been recorded as travel prepayments. As a result, and compared to the treatment previously applied trade payables and travel prepayments are each 2,296 million yen greater. This treatment has no effect on profits and losses.
2. ―――――――	2. As a result of the non-fulfillment of contract terms by the counterparty the contract, signed on October 30, 2003, for sale of the company's property that was recorded as a post-balance sheet event in the previous fiscal year has been annulled.

Consolidated Balance Sheets

As of October 31, 2005

1. Accumulated depreciation of tangible fixed assets: ¥4,092 million

2. Pledged assets

(¥ million)

Pledged assets			**Secured liabilities**	
Type	**Book value**	**Type of pledge**	**Comments**	**End of term balance**
Cash and deposits……...	938	Pledge	-Bank guarantee	818
Land………………………	283	Mortgage	-Long-term debt due within one year	13
Building and structures………………	63	Mortgage	-Long-term debt	234
Other investment assets… (long-term deposits)	88	Pledge		

3. Number of shares issued and treasury stock

Shares issued: 34,261,468 common shares

Treasury stock: 872,309 common shares

4. Guarantee liabilities

Guarantee liabilities regarding operations for the company listed below are as follows:

-Skymark Airlines Co. Ltd. US $1,478 thousand (¥171 million)

5. Bank overdraft contracts

H.I.S. CO., LTD. and consolidated subsidiaries (HAWAII HIS CORPORATION and H.I.S. KOREA CO., LTD.) have credit facility agreements with 6 banks for the efficient procurement of working capital. Based on these agreements the remaining balance of credit available at the fiscal year end was:

Limit of credit:	¥311 million
Current amount of loans:	¥41 million
Balance of remaining credit	¥270 million

As of October 31, 2004

1. Accumulated depreciation of tangible fixed assets: ¥3,731 million

2. Pledged assets

(¥ million)

Pledged assets			**Secured liabilities**	
Type	**Book value**	**Type of pledge**	**Comments**	**End of term balance**
Cash and deposits……	723	Pledge	-Bank guarantee	**647**
Land……………………..	283	Mortgage	-Long-term debt due within one year	**12**
Building and structures……………..	67	Mortgage	-Long-term debt	**203**
Other investment assets… (long-term deposits)	64	Pledge		

3. Number of shares issued and treasury stock

Shares issued: 22,840,979 common shares

Treasury stock: 574,077 common shares

4. Guarantee liabilities

Guarantee liabilities regarding operations for the affiliate company listed below are as follows:

-Skymark Airlines Co,. Ltd. US $1,478 thousand (¥157 million)

5. Bank overdraft contracts

H.I.S. CO., LTD. and consolidated subsidiaries (HAWAII HIS CORPORATION , H.I.S. KOREA CO., LTD. and Orion Tour Co., Ltd). have credit facility agreements with 6 banks for the efficient procurement of working capital. Based on these agreements the remaining balance of credit available at the fiscal year end was:

Limit of credit:	¥386 million
Current amount of loans:	¥98 million
Balance of remaining credit	¥287 million

CONSOLIDATED RESULTS: FISCAL YEAR ENDED OCTOBER 31, 2005

Consolidated Statements of Income

(¥ million)

FY ended October 31, 2005		FY ended October 31, 2004	
1. Selling, general and administrative expenses		1. Selling, general and administrative expenses	
Main items and amounts for Selling, general and administrative expenses:		Main items and amounts for Selling, general and administrative expenses:	
Advertising expense:	5,420	Advertising expense:	5,221
Salary for employees:	15,246	Salary for employees:	13,997
Legal welfare expenses	2,228	Legal welfare expenses	1,935
Bonus expenses:	1,587	Bonus expenses:	1,456
Retirement benefit expense	156	Retirement benefit expense	220
Depreciation and amortization	1,185	Depreciation and amortization	1,101
Rent:	3,367	Rent:	3,130
Amortization of goodwill arising from consolidation:	725	Amortization of goodwill arising from consolidation:	746
2. Breakdown of extraordinary gains and losses:		2. Breakdown of extraordinary gains and losses:	
1) Extraordinary gains		1) Extraordinary gains	
(1) Gain on sale of fixed assets		(1) Gain on sale of fixed assets	
Land and buildings	1,474	Equipment and fittings	0
Equipment and fittings	1	Other	16
Other:	23		
(2) Other extraordinary gains		(2) Other extraordinary gains	
Refund of prior period consumer tax:	13	Reversal of prior year cost of sales	13
Reversal of allowance for doubtful receivables	4	Other	8
2) Extraordinary losses		2) Extraordinary losses	
(1) Loss on disposal of fixed assets		(1) Loss on disposal of fixed assets	
Equipment and fittings	20	Equipment and fittings	7
Buildings:	45	Buildings	60
Other:	0	Other:	2
(2) Loss on sale of fixed assets		(2) Loss on sale of fixed assets	
Equipment and fittings	0	Equipment and fittings	0
Other	2	Other:	8
(3) Other extraordinary losses		(3) Other extraordinary losses	
Bad debt expense:	73	Indemnity allowance	6
Appraisal loss on investment securities	31	Expense for bad debt	2
Provision for prior-period retirement benefits for directors	14	Other:	10
Prior-year cost of sales adjustment	10		
Other:	10		

Consolidated Statements of Cash Flows **(¥ million)**

FY ended October 31, 2005		FY ended October 31, 2004	
The reconciliation of cash and cash equivalents to amounts in the consolidated balance sheets are as follows:		The reconciliation of cash and cash equivalents to amounts in the consolidated balance sheets are as follows:	
Cash and deposits:	33,097	Cash and deposits:	36,819
Marketable securities:	3,149	Marketable securities:	2,879
Term deposits with maturities longer than 3 months:	(2,838)	Term deposits with maturities longer than 3 months:	(2,114)
Marketable securities due to mature within one year:	(851)	Marketable securities due to mature within one year:	(582)
Cash and cash equivalents:	32,557	Cash and cash equivalents:	37,003

Lease Transactions

(¥ million)

FY ended October 31, 2005

1. Finance lease transactions other than those in which the title to the leased asset is deemed to transfer to the lessee

(1) Equivalents of acquisition cost, accumulated depreciation and period end balance

	Acquisition cost	Accumulated depreciation	Net leased property
Equipment and fittings	89	34	55
Vehicles	15	4	11
Software	107	75	31
Total	212	114	97

Note: As at the period end the balance of unexpired lease payments is not a significant proportion of total fixed assets, the acquisition cost equivalent is reported as the total amount of lease payments including interest.

(2) Period end balance of unexpired lease commitment equivalents

Within 1 year	39
Over 1 year	58
Total	97

Note: As at the period end the balance of unexpired lease payments is not a significant proportion of total fixed assets, the acquisition cost equivalent is reported as the total amount of lease payments including interest.

(3) Lease payments and depreciation expense equivalents

Lease payments	37
Depreciation expense equivalents	37

(4) Method of calculating depreciation expense equivalents

Straight line method: useful life assumed to be lease period; residual value zero

2. Operating lease transactions

Unexpired lease commitments

Within 1 year	3
Over 1 year	-
Total	3

FY ended October 31, 2004

1. Finance lease transactions other than those in which the title to the leased asset is deemed to transfer to the lessee

(1) Equivalents of acquisition cost, accumulated depreciation and period end balance

	Acquisition cost	Accumulated depreciation	Net leased property
Equipment and fittings	119	45	73
Vehicles	4	0	3
Software	103	58	45
Total	227	104	122

Note: As at the period end the balance of unexpired lease payments is not a significant proportion of total fixed assets, the acquisition cost equivalent is reported as the total amount of lease payments including interest.

(2) Period end balance of unexpired lease commitment equivalents

Within 1 year	44
Over 1 year	78
Total	122

Note: As at the period end the balance of unexpired lease payments is not a significant proportion of total fixed assets, the acquisition cost equivalent is reported as the total amount of lease payments including interest.

(3) Lease payments and depreciation expense equivalents

Lease payments	38
Depreciation expense equivalents	37

(4) Method of calculating depreciation expense equivalents

Straight line method: useful life assumed to be lease period; residual value zero

2. Operating lease transactions

Unexpired lease commitments

Within 1 year	3
Over 1 year	3
Total	6

Securities

Fiscal 2005（As of October 31, 2005）

1. Securities held to maturity (with market values)

(¥ million)

	Type	Book value	Market value	Unrealized gain (loss)
Securities with market values exceeding book value	Corporate bond	100	100	0
	Subtotal	100	100	0
Securities with market values NOT exceeding book value	Corporate bond	2,225	2,166	(59)
	Subtotal	2,225	2,166	(59)
Total		**2,325**	**2,266**	**(59)**

2. Other securities (with market values)

(¥ million)

	Type	Acquisition cost	Book value	Unrealized gain (loss)
Securities with book values exceeding acquisition cost	Equities Other	3,880 942	5,441 981	1,561 38
	Subtotal	4,822	6,422	1,600
Securities with book values NOT exceeding acquisition cost	Equities Other	-- 383	-- 378	-- (5)
	Subtotal	383	378	(5)
Total		**5,206**	**6,800**	**1,594**

3. Non-marketable securities

(¥ million)

	Book value
Bonds held to maturity	
Unlisted foreign bonds	115
Other securities	
Money management funds	2,141
Free financial funds	1
Medium-term JGB funds	282
Unlisted stocks (excluding OTC stocks)	93
Unlisted domestic bonds	2,150
Unlisted foreign bonds	0
Total	4,785

4. **Projected future redemption of securities with maturities and debt securities held to maturity (in Other Securities Account)**

(¥ million)

	Less than 1 year	1 to 5 years	5 to 10 years	Longer than 10 years
1. Bonds				
Corporate bonds	850	3,732	--	--
2. Other	--	205	--	--
Total	850	3,937	--	--

Securities

Fiscal 2004（As of October 31, 2004）

1. Securities held to maturity (with market values)

(¥ million)

	Type	Book value	Market value	Unrealized gain (loss)
Securities with market values exceeding book value	Corporate bond	100	100	0
	Subtotal	100	100	0
Securities with market values NOT exceeding book value	Corporate bond	299	299	(0)
	Subtotal	299	299	(0)
Total		**399**	**399**	(0)

2. Other securities (with market values)

(¥ million)

	Type	Acquisition cost	Book value	Unrealized gain (loss)
Securities with book value exceeding acquisition cost	Equities	15	19	4
	Other	999	1,033	33
	Subtotal	1,015	1,053	37
Securities with book value NOT exceeding acquisition cost	Equities	8	1	(6)
	Other	1,157	717	(440)
	Subtotal	1,165	719	(446)
Total		**2,180**	**1,772**	**(408)**

3. Non-marketable securities

	Carrying Value
Other securities	
Money management funds	2,013
Free financial funds	1
Medium-term JGB funds	282
Unlisted stocks (excluding OTC stocks)	129
Unlisted domestic bonds	150
Unlisted overseas bonds	0
Total	2,577

4. **Projected future redemption of securities with maturities and debt securities held to maturity (in Other Securities Account)**

(¥ million)

	Less than 1 year	1 to 5 years	5 to 10 years	Longer than 10 years
1. Bonds				
Corporate bonds	--	550	--	--
2. Other	582	--	--	--
Total	582	550	--	--

Derivatives transactions

1. Derivatives transaction items

(1) Type of transaction

The Group utilizes forward foreign exchange transactions.

(2) Transaction policy

The Group's policy is to utilize derivative transactions to hedge the financial risk arising from foreign exchange in order to efficiently manage risk and to avoid the use of derivative transactions for speculation.

(3) Purpose of transactions

Derivative transactions are used to ameliorate the foreign exchange rate fluctuation risk in respect of foreign currency denominated monetary assets and liabilities. Hedge accounting is applied to derivative transactions.

(a) Hedge accounting

In principal, deferred hedge accounting is used. Forward foreign exchange contracts are allocated specific hedged risks when they meet the criteria for qualification.

(b) Hedging methods and risks hedged

Hedging methods: forward foreign exchange contracts.

Risks hedged: foreign currency denominated accrued operational expenses.

(c) Hedging policy

Based on our internal 'Market Risk Management Regulations', foreign exchange rate fluctuation risk is hedged.

(d) Assessing the effectiveness of a hedge

The effectiveness of the hedge is measured on a bi-annual basis through a comparative analysis of the fluctuations in the cumulative cash flows from hedging instruments and the risks hedged.

(4) Risks of derivative transactions

Forward foreign exchange transactions carry the risk that even if the Yen strengthens foreign currency must be purchased at the contracted rate.

As the contract counterparties in these transactions are financial institutions with high credit ratings it is understood that the risk of the counterparty failing to honor a contract is very low.

(5) Framework for the management of transaction risk

The basic policy on derivatives transactions is decided by the Board of Directors and the execution and management of transactions is performed by the Accounting Department. Outstanding transaction amounts and profits and losses are reported regularly to the Board of Directors.

(6) Additional explanation of transaction market value, etc.

In consideration of the amount of the Group's transactions the period end derivatives transaction balance is not considered to be large.

2. Transaction market value

Derivative transaction contract amounts, market value and appraisal gains and losses

In respect of fiscal 2005 and fiscal 2004, as hedge accounting has been applied to all of the derivatives transactions of the H.I.S. Group this item does not apply.

Retirement Benefits

(1) Outline of employees retirement benefit system

The company and its domestic consolidated subsidiaries have defined benefit pension plans consisting of a lump sum retirement payment system. Certain foreign consolidated subsidiaries have also established defined benefit pension schemes.

(2) Retirement Benefit Obligation

(¥ million)

	Fiscal year ended October 31, 2005	Fiscal year ended October 31, 2004
1. Retirement benefit obligation	(911)	(823)
2. Pension fund assets	—	—
3. Unfunded retirement benefit obligation (1+2)	(911)	(823)
4. Unrecognized actuarial differences	(25)	(16)
5. Unrecognized prior service liabilities	—	(11)
6. Reserve for retirement allowance (3+4+5)	(937)	(851)

(3) Retirement Benefit Expenses

(¥ million)

	Fiscal year ended October 31, 2005	Fiscal year ended October 31, 2004
1. Service expense	171	182
2. Interest expense	14	12
3. Amortization of past service liability	(11)	(11)
4. Amortization actuarial differences	(18)	36
5. Retirement benefit expenses (1+2+3+4)	156	220

(4) Basis of calculation of retirement benefit liabilities

1. Discount rate	2.0%
2. Allocation method for estimated retirement benefit amounts:	Fixed installment method
3. Amortization period for past service liabilities	5 years
4. Amortization period for actuarial differences	1 year

Deferred Tax Accounting

(¥ million)

FY ended October 31, 2005

1. Significant components of deferred tax assets and liabilities

(1) Deferred tax assets: Current

Excess of accrued bonuses	628
Accrued sales receivables	324
Accrued social insurance premiums	67
Accrued business office tax	17
Accrued business tax	50
Accrued levies for employing disabled persons	2
Reserve for loss on liquidation of affiliates	142
Appraisal loss on shares in affiliates	65
Others	24
Gross deferred tax assets	1,322
Less: valuation allowances	(1)
Total deferred tax assets	1,321
(Deferred tax liabilities)	
Others	(1)
Net deferred tax assets	1,320

(2) Deferred tax assets: long-term

Allowance for doubtful accounts	35
Accrued employees' retirement benefits	343
Accrued directors' and statutory auditors' retirement benefits	160
Unrecognized one-time asset depreciation	5
Unrecognized appraisal loss on investment securities	3
Net operating losses carried forward	99
Unrealized holding loss on securities	2
Others	10
Gross deferred tax assets	661
Less: valuation allowances	(157)
Net deferred tax assets	503
(Deferred tax liabilities)	
Reserve for special depreciation	(2)
Depreciation	(14)
Unrealized holding gain on securities	(651)
Total deferred tax liabilities	(667)
Net deferred tax liabilities	(163)

FY ended October 31, 2004

1. Significant components of deferred tax assets and liabilities

(1) Deferred tax assets: Current

Excess of accrued bonuses	578
Accrued sales receivables	220
Accrued social insurance premiums	61
Accrued business office tax	17
Accrued business tax	168
Unrealized holding loss on securities	179
Foreign tax indirect credit	0
Others	17
Gross tax deferred assets	1,242
Less: valuation allowances	(6)
Net deferred tax assets	1,235

(2) Deferred tax assets: Long-term

Allowance for doubtful accounts	35
Accrued employees' retirement benefits	318
Accrued directors' and statutory auditors' retirement benefits	141
Unrecognized one-time asset depreciation:	8
Unrecognized appraisal loss on investment securities:	22
Net operating losses carried forward:	130
Others:	9
Gross deferred tax assets:	666
Less: valuation allowances:	(191)
Net deferred tax assets:	474
(Deferred tax liabilities)	
Reserve for special depreciation	(3)
Depreciation	(0)
Unrealized holding gain on securities	(15)
Total deferred tax liabilities	(18)
Net deferred tax liabilities	455

Deferred Tax Accounting continued

(¥ million)

FY ended October 31, 2005		FY ended October 31, 2004	
(Deferred tax assets)		(Deferred tax liabilities)	
Accrued employees' retirement benefits	19	Depreciation	9
Accrued directors' and statutory auditors' retirement benefits	6	Net deferred tax liabilities	9
Unrecognized appraisal loss on investment securities	3		
Net operating losses carried forward	8		
Others	1		
Net deferred tax assets	39		
2. A reconciliation of the difference between the statutory tax rate and the effective tax rate is summarized as follows:		2. A reconciliation of the difference between the statutory tax rate and the effective tax rate is summarized as follows:	
Statutory tax rate	40.7%	Statutory tax rate	40.7%
(Adjustments)		(Adjustments)	
Disallowed entertainment expenses	0.1	Disallowed entertainment expenses	0.1
Resident's tax equalization	1.8	Resident's tax equalization	2.5
Special deduction for special IT investment promotion measures	(0.8)	Special deduction for special IT investment promotion measures	(0.8)
Foreign tax indirect credit	(1.4)	Adjustment due to change in tax rate	(0.5)
Income from equity-accounted affiliates	(1.3)	Income from equity-accounted affiliates	(2.5)
Amortization of consolidation goodwill	3.0	Amortization of consolidation goodwill	5.3
Profit from changes in equity shares	(5.6)	Valuation allowances	1.8
Loss on cancellation of shares in affiliates	(15.0)	Others	2.6
Valuation allowances	1.2	Effective tax rate	49.2
Others	(1.4)		
Effective tax rate	21.3		

Per-share information

FY ended October 31, 2005	FY ended October 31, 2004
Net assets per share ¥1,233.20 Net income per share ¥188.85 Diluted net income per share is not disclosed because no potentially dilutive shares have been issued. On December 20, 2004 the company carried out a share split of each ordinary share into 1.5 shares. Assuming that the stock split had taken place at the start of the previous financial year per-share information would have been as follows (Information for the previous fiscal year) Net assets per share ¥959.80 Net income per share ¥81.28 Diluted net income per share is not disclosed because no potentially dilutive shares have been issued.	Net assets per share ¥1,439.70 Net income per share ¥121.91 Diluted net income per share is not disclosed because no potentially dilutive shares have been issued.

Note: The basis for the calculation of net income per share is as follows: (¥ million)

	FY ended October 31, 2005	FY ended October 31, 2004
Net income	6,340	2,751
Amount not attributable to ordinary shareholders	33	30
(of which bonuses paid to directors as part of the appropriation of surplus)	(33)	(30)
Net income attributable to ordinary shares	6,306	2,720
Average number of outstanding shares during the period (1,000 shares)	33,393	22,312

Subsequent events

FY ended October 31, 2005	FY ended October 31, 2004
―	1. Main transfers of assets In order to improve asset utilization efficiency and the efficient use of business resources, on December 27, 2004 the company signed contracts for the sale of real estate it owned and received payment and completed transfer on the same day. The details of this transaction are shown below: (1) Purchasing company: Retec Consultants Co., Ltd. (2) Nature of real estate transferred: 688.52m^2 of land and an office building (4-chome, Ginza, Chuo-ku, Tokyo) (3) Value of transaction: ¥4,301 million (excluding consumption tax) 2. Share split At a meeting of the Board of Directors on October 1, 2004, the Company resolved to issue new shares via a stock split. 1. On December 20, 2004 each share of common stock was split into 1.5. (1) The increase in the number of common shares as a result of the share split was 11,420,489 (2) Stock split method In respect of each one share owned by shareholders whose names were listed or recorded in the stock register and the effective stock register at the end of trading on October 31, 2004 (actually on October 29, 2004 as that date and the previous day were holidays for the transfer agent), 1.5 shares were allocated. 2. Record date for dividend calculation: November 1, 2004 Assuming that the stock split had taken place at the start of the previous fiscal year, or at the start of the current fiscal year the per-share information for the respective fiscal years would have been as follows:

Previous fiscal year	Present fiscal year
Net assets per share ¥901.16	Net assets per share ¥959.80
Net income per share ¥20.45	Net income per share ¥81.28
Diluted net income per share Not applicable	Diluted net income per share Not applicable

Diluted net income per share is not disclosed because no potentially dilutive shares have been issued.

5. Segment information

(1) Segment information by type of operation

Fiscal year ended October 31, 2005 (¥ million)

	Travel operations	Hotel operations	Other operations	Total	Eliminations and corporate	Consolidated
I Net sales and operating income (loss)						
Net sales						
(1) Sales to outside customers:	289,302	1,246	44	290,593	—	290,593
(2) Inter-segment sales/transfers:	—	18	3	21	(21)	—
Total:	289,302	1,264	47	290,615	(21)	290,593
Operating expenses:	281,537	1,235	11	282,784	2,335	285,120
Operating income:	7,764	29	36	7,830	(2,356)	5,473
II Assets, depreciation and capital expenditure						
Assets:	51,110	5,483	253	56,847	24,082	80,929
Depreciation:	392	177	2	572	612	1,185
Capital expenditures:	529	12	—	541	629	1,171

Fiscal year ended October 31, 2004 (¥ million)

	Travel operations	Hotel operations	Other operations	Total	Eliminations and corporate	Consolidated
I Net sales and operating income (loss)						
Net sales						
(1) Sales to outside customers:	260,596	958	200	261,755	—	261,755
(2) Inter-segment sales/transfers:	—	13	43	57	(57)	—
Total:	260,596	972	243	261,812	(57)	261,755
Operating expenses:	253,951	1,092	104	255,148	2,036	257,185
Operating income:	6,645	(120)	138	6,663	(2,093)	4,570
II Assets, depreciation and capital expenditure						
Assets:	47,946	3,956	2,593	54,496	19,641	74,137
Depreciation:	379	164	12	555	545	1,101
Capital expenditures:	585	18	2	606	537	1,144

Notes: 1. Operating segments are classified according to those used internally by management.

2. The main business of each segment is as follows:

Travel operations	Travel business and associated businesses
Hotel operations	Ownership and maintenance of hotels
Other operations	Real estate business

3. Unallocated operating expenses in the fiscal year ended October 31, 2005 and the previous fiscal year were ¥2,356 million and ¥2,093 million respectively. The main factors contributing to this were expenses related to the administrative department headquarters.

4. Corporate assets included under eliminations and corporate for the fiscal year ended October 31, 2005 and the previous fiscal year were ¥24,085 million and ¥19,642 million respectively. These mainly comprised the management of surplus funds (cash and cash equivalents and securities) at the parent company and assets related to the Administration Department of headquarters.
5. Long-term pre-paid expenses and their associated amortization amounts are included in depreciation expenses and capital expenditure.

(2) Segment information by region

Fiscal year ended October 31, 2005 (¥ million)

	Japan	America	Asia/ Australia	Europe	Total	Eliminations and corporate	Consolidated
I Net sales and operating income (loss)							
Net sales							
(1) Sales to outside customers:	274,163	5,900	6,320	4,208	290,593	—	290,593
(2) Inter-segment sales/transfers:	9	12,963	9,093	3,906	25,972	(25,972)	—
Total:	274,173	18,863	15,414	8,115	316,566	(25,972)	290,593
Operating expenses:	267,474	18,341	15,162	7,757	308,736	(23,616)	285,120
Operating income:	6,698	521	252	357	7,830	(2,356)	5,473
II Assets:	43,524	3,615	9,699	2,435	59,275	21,654	80,929

Fiscal year ended October 31, 2004 (¥ million)

	Japan	America	Asia/ Australia	Europe	Total	Eliminations and corporate	Consolidated
I Net sales and operating income (loss)							
Net sales							
(1) Sales to outside customers:	248,479	5,221	4,506	3,547	261,755	—	261,755
(2) Inter-segment sales/transfers:	2	10,765	8,179	3,475	22,423	(22,423)	—
Total:	248,482	15,987	12,686	7,022	284,179	(22,423)	261,755
Operating expenses:	242,795	15,543	12,449	6,726	277,515	(20,330)	257,185
Operating income:	5,687	443	237	295	6,663	(2,093)	4,570
II Assets:	43,897	3,114	7,911	1,807	56,731	17,405	74,137

Notes: 1. Regional divisions are based on geographical proximity.

2. The breakdown of regions other than Japan is as follows:
   - (1) America — U.S.A., Canada, Mexico, the Bahamas, Guam, Saipan
   - (2) Asia/Australia — Hong Kong, South Korea, Singapore, Indonesia, Thailand, Australia
   - (3) Europe — The United Kingdom, Germany, France, Italy

3. Unallocated operating expenses in the fiscal year ended October 31, 2005 and the previous fiscal year were ¥2,356 million and ¥2,093 million respectively. The main factors contributing to this were expenses related to the administration department headquarters.

4. Corporate assets included under eliminations and total company for the fiscal year ended October 31, 2005 and the previous fiscal year were ¥24,085 million and ¥19,642 million respectively. These mainly comprised the management of surplus funds (cash and cash equivalents and securities) at the parent company and assets related to the Administration Department of headquarters.

(3) Overseas sales

As overseas net sales in the fiscal years ended October 31, 2005 and October 31, 2004 did not exceed 10% of consolidated net sales, they have not been disclosed.

6. Sales

(1) Net sales and operating income by type of operation

(¥ million)

	Fiscal year ended October 31, 2005			Fiscal year ended October 31, 2004			Net sales change (%)	Operating income change (%)
	Net sales		Operating income	Net sales		Operating income (loss)		
	Amount	% of total	Amount	Amount	% of total	Amount		
Travel operations	289,302	99.6	7,764	260,596	99.5	6,645	11.0	16.8
Hotel operations	1,264	0.4	29	972	0.4	(120)	30.1	—
Other operations	47	0.0	36	243	0.1	138	(80.4)	(74.0)
Total	290,615	100.0	7,830	261,812	100.0	6,663	11. 0	17.5
Elimination and corporate	(21)	(0.0)	(2,356)	(57)	(0.0)	(2,093)	—	—
Consolidated	290,593	100.0	5,473	261,755	100.0	4,570	11.0	19.8

(2) Net sales and operating income by region

(¥ million)

	Fiscal year ended October 31, 2005			Fiscal year ended October 31, 2004			Net sales change (%)	Operating income change (%)
	Net sales		Operating income	Net sales		Operating income		
	Amount	% of total	Amount	Amount	% of total	Amount		
Japan	274,173	94.3	6,698	248,482	94.9	5,687	10.3	17.8
America	18,863	6.5	521	15,987	6.1	443	18.0	17.6
Asia and Australia	15,414	5.3	252	12,686	4.9	237	21.5	6.3
Europe	8,115	2.8	357	7,022	2.7	295	15.6	20.9
Total	316,566	108.9	7,830	284,179	108.6	6,663	11.4	17.5
Elimination and corporate	(25,972)	(8.9)	(2,356)	(22,423)	(8.6)	(2,093)	—	—
Consolidated	290,593	100.0	5,473	261,755	100.0	4,570	11.0	19.8

7. Transactions with related parties

No applicable items