



Consolidated Financial Results

For the Fiscal Year Ended October 31, 2010

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

Summary of Consolidated Financial Results For the Fiscal Year Ended October 31, 2010

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

Exchange Listed:	Tokyo Stock Exchange, 1 st section
Principal Office:	Tokyo, Japan
Homepage:	http://www.his.co.jp
Representative Director, President:	Akira Hirabayashi
Contact:	Narimoto Kusuhara, Managing Director
Telephone:	+81-3-5908-2070
Scheduled date of annual shareholders' meeting:	January 27, 2011
Date of Dividend Payment:	January 28, 2011
Scheduled date of filing annual report:	January 28, 2011

1. Consolidated Financial Results (November 1, 2009 – October 31, 2010)

(1) Consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2010	%	2009	%
Net Sales	348,065	7.1	325,086	(11.8)
Operating Income	6,278	(12.0)	7,137	20.9
Ordinary Income	5,019	(10.1)	5,582	(10.0)
Net Income	3,384	0.4	3,371	35.5
Net Income per Share (yen).....	104.37		103.97	
Net Income per Share, Diluted (yen).....	—		—	
Return on Equity (ROE)	6.6%		7.3%	
Ordinary Income to Total Assets Ratio	4.6%		5.6%	
Operating Income to Net Sales Ratio.....	1.8%		2.2%	
Notes: Equity of earnings in affiliates:	Full year ended October 31, 2010		238 million yen	
	Full year ended October 31, 2009		420 million yen	

(2) Consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2010	2009
Total Assets	120,555	96,600
Net Assets	57,484	48,059
Shareholders' Equity Ratio	46.0%	49.1%
Net Assets per Share (yen)	1,709.44	1,462.71
Notes: Shareholders' equity (consolidated):	As of October 31, 2010:	55,433 million yen
	As of October 31, 2009:	47,432 million yen

(3) Consolidated Cash Flows

	<i>Millions of Yen</i>	
	Fiscal Year Ended October 31,	
	2010	2009
Cash Flows from Operating Activities	14,212	1,640
Cash Flows from Investing Activities	1,019	5,528
Cash Flows from Financing Activities	(1,166)	(642)
Cash and Cash Equivalents at End of Year	46,340	35,070

2. Dividend Distribution

	Dividend per Share			Total Dividend (millions of yen)	Dividend payout ratio (%) (consolidated)	Ratio of dividends to net assets (%) (consolidated)
	Half Year	Year End	Full Year			
FY2009	0.00	24.00	24.00	778	23.1	1.7
FY2010	0.00	24.00	24.00	778	23.0	1.5
FY2011 (Forecast)	0.00	24.00	24.00	—	15.0	—

3. Consolidated Forecast for the Fiscal Year Ending October 31, 2011

	<i>Millions of Yen</i>			
	Interim ending April 30, 2011		FY ending October 31, 2011	
	Sales	Profit	Sales	Profit
Net Sales	186,000	20.7%	409,000	17.5%
Operating income.....	2,800	18.5%	7,400	17.9%
Ordinary Income.....	3,800	90.5%	9,000	79.3%
Net Income.....	2,000	7.6%	5,200	53.6%
Net Income per Share (yen)	61.68		160.36	

4. Additional Notes

(1) Changes of important subsidiaries during the fiscal period (Changes of specific subsidiary due to change in scope of consolidation):

New:	Yes
Excluded:	1 (HUIS TEN BOSCH Co., Ltd.)
	None

(2) Changes in principles, procedures and presentation of accounting treatment in preparing consolidated financial statements:

(i) Changes resulting from revisions to accounting standards, etc.:	Yes
(ii) Changes other than (i):	Yes

(3) Number of shares issued (common shares)

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

As of October 31, 2010	34,261,468 shares
As of October 31, 2009	34,261,468 shares

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

As of October 31, 2010	1,833,792 shares
As of October 31, 2009	1,833,472 shares

5. Non-consolidated Financial Results (November 1, 2009 – October 31, 2010)

(1) Non-consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2010	%	2009	%
Net sales.....	308,803	4.5	295,492	(9.2)
Operating Income	5,009	(8.4)	5,468	31.2
Ordinary Income	2,783	(16.2)	3,319	(19.6)
Net Income	1,237	(25.1)	1,652	—
Net Income per Share (yen).....	38.16		50.96	
Net Income per Share, Diluted (yen).....	—		—	

(2) Non-consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2010	2009
Total Assets.....	100,381	85,243
Net Assets.....	47,811	40,971
Shareholders' Equity Ratio	47.6%	48.1%
Net Assets per Share (yen).....	1,474.41	1,263.46
Note: Shareholders' equity:	Fiscal year ended October 31, 2010:	47,811 million yen
	Fiscal year ended October 31, 2009:	40,971 million yen

Note: Forecasts contain forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors. Please consult page 6 for further information concerning the forecasts.

I. Operating Results and Financial Position

1. Operating Results

(1) Overview of consolidated results for the fiscal period

During the current fiscal year, the Japanese economy failed to move toward a self-sustaining recovery and conditions remained harsh as evidenced by the continuing high level of unemployment.

Within the travel industry, there was an overall increase in the number of Japanese traveling abroad because of various factors including the sense that overseas travel is a bargain due to the strong yen, the introduction of new routes accompanying the increase in the number of flights arriving and departing Narita Airport starting March 2010, and the rebound from last year's decline due to the spread of the H1N1 flu. According to the Japan National Tourist Organization (JNTO), the (estimated) number of Japanese departing the country from November 2009 through October 2010 is expected to have risen by 6.9% on the previous year to around 16,485,000 people, an increase of approximately 1,061,000 people.

Under these business conditions, in the travel business, the Group's core business segment, further efforts were made to increase the quality of both the Group's products and services by increasing the efficiency of operations and rapidly reflecting customer opinions so that even more customers can enjoy overseas travel with peace of mind. The Group developed various sales strategies including actively communicating appropriate information to not only its main customer groups- individual travelers, young travelers, and seasoned travelers- but also other customer groups, including corporate/group travelers, the wealthy and seniors.

· Travel business

As for sales channels, the Group moved forward with its review of product distribution based on product function. Part of these efforts included reconsidering the meaning of branches sales, opening new large branches in Ginza and Omotesando, and renovating existing large branches in Shinjuku and Shibuya. Increasing the number of specialty branches that deal in high-added-value products requiring detailed consultations such as sections that handle overseas weddings, sports-related travel, and business and first class, the Group worked to strengthen its sales system. As for instantaneous travel products, the Group further reinforced its Internet-based sales that make use of automatic reservations, built a system that can respond to diverse customer needs, and worked to differentiate itself from rivals. While developing in this way that is helpful for improving customer convenience, the Group revamped part of its network of branches from the perspective of efficient operations. In terms of product development, the Group strove to increase the number of special products for its Ciao, Ciaopresso (main package tour brand), and impresso (brand of package tours with tour guides) product lines to commemorate this year's 30th anniversary of the founding of the company. Aggressive efforts were also made to develop new customers, which included launching the QUALITA brand that targets customers who demand quality travel and the CLASS ONE members club for the wealthy.

For travel sales over the Internet, which the Group has focused on reinforcing, further improvements were made to both the PC and mobile phone reservation capabilities, and also to the online mobile customers acquisition, and customer use has steadily increased. In March 2010, the hotel reservation website was updated, and product plans for payment in either Japan or overseas were introduced in order to meet the various needs of our customers. In May 2010, the Group launched new English, Chinese, and Korean websites for computers and an automatic overseas hotel reservation website for mobile phones. In order to respond to the more diverse needs of customers, the Group also further expanded the number of products, such as overseas hotels, optional tours, and rental cars, that can be automatically reserved. The Group will raise the added value of its overall website and provide travel services that are not limited by time or location to more pleasantly support travel.

The Group continued to strengthen its efforts related to corporate travel, and these efforts included making use of its price advantage and ability to deliver airline tickets, which the Group has built up over time, and aggressively working to develop new customers such as government employees and those in local areas that are expected to see an increase in business flights. A specialized system is also being built that provides greater convenience for corporate customers. In addition, the Group's efforts to win even more orders for major projects and school trips led to a firm increase in use by corporate customers and groups. At the same time as it expanded these type of aggressive sales activities, the Group further strengthened its overall sales abilities, including reinforcing staff and developing human resources, as the Group foresees a full recovery in business flights and travel demand.

Turning to the Group's expansion overseas, an area that needs to be reinforced, the Group continued to expand its sales network, which involved establishing and launching operations at local companies in both Shanghai, China, and Moscow, Russia, in May 2010, and reinforced its system to handle customers from Japan and ability to purchase hotel rooms. Furthermore, the Group began to develop sales of overseas travel services for trips departing locally that target non-Japanese customers, and launched Travel Wonderland Bangkok, the first overseas large-scale flagship branch, in Bangkok, Thailand, in June 2010.

As for efforts related to in-bound tourism, foreigners visiting Japan, the Group made steady preparations related to various operations such as optional tours for passengers of cruise ships visiting Japan and handling customers from various overseas branches. Furthermore, the Group worked to improve the quality of and promote efficient operations related to in-bound tourism, which is forecast to continue to grow, and these efforts included integrating operations conducted by the consolidated subsidiary, H.I.S. Experience Japan with the Group's core in-bound tourism operations.

The Group was able to record an overall year-on-year increase as a result of the various measures discussed above. Sales for the travel business rose 5.3% year on year to 340,519 million yen due to an increase in average customer spending even through there was a decrease in fuel surcharges. Operating income shrank 2.1% year on year to 10,381 million yen for various reasons including the decline in gross profit as the number of passengers did not meet forecasts, the deterioration in the purchasing environment due to harsh business

conditions faced by airline companies, particularly Japan Airlines, and price competition with major travel companies and airline companies. Even so, in the travel industry, which is generally facing harsh business conditions, the Group was able to record positive operating income due to various efforts such as sales and advertisements that stress efficiency and cuts in costs.

· Hotel business

For the hotel business, sales rose 23.6% year on year to 2,162 million yen as Watermark Hotel Japan, which operates a hotel in Sapporo, was included in the scope of consolidation this year. But the Group recorded an operating loss of 22 million yen, compared to positive operating income of 31 million yen for the previous year, because of price competition with surrounding hotels in both Australia, where the Group operates two hotels, and Sapporo.

· Theme park business

HUIS TEN BOSCH Co., Ltd., was turned into a Group company during the fiscal year. On April 6, 2010, the Group took a 66.7% equity stake in the company turning it into a subsidiary, and in April 2010 the company completed its corporate reorganization. The company implemented various measures to attract a larger number of visitors from both Japan and overseas and to satisfy visitors, which included focusing its originality and ingenuity on entertainment and events and setting the entrance fee to a level that people could easily visit the park. Therefore, the company, which was included in the scope of the consolidation this year, recorded 5,570 million yen in sales but an operating loss of 113 million yen for the period from April 1, 2010 to September 30, 2010. However, the company recorded an ordinary income profit of 429 million yen for the period, for the first time ever since its establishment, and was able to form a base of profitability.

Earnings broken down by business segment are provided above. As for consolidated earning for the overall group, sales rose 7.1% year on year to 348,065 million yen but operating income fell 12.0% year on year to 6,278 million yen. Although ordinary income shrank 10.1% year on year to 5,019 million yen, net income rose 0.4% to 3,384 million yen due to the loss on foreign-currency-denominated assets.

At the end of the third quarter, the Group concluded a long-term forward foreign currency contract for US\$ which was to realize stable product development.

(2) Forecasts for next fiscal year

Although there are hopes for a recovery, it appears realizing one will not be easy. In the travel industry, there will likely be a slight but upward trend in demand for overseas travel for various reasons including the continuing strength of the yen and the internationalization of Haneda Airport even though there are various concerns such as political conditions in Asia, the uncertain economic outlook, trends in fuel surcharges, and more direct sales by airline companies.

Under these conditions, within the travel business, the Group's core segment, the Group will strive to further

improve product quality and service and will actively provide customers with information so that more customers are able to enjoy overseas travel with peace of mind.

· Travel business

In terms of airline ticket sales, the Group will pursue price advantage, originality, and unique added value, which involves various efforts such as reinforcing the Group's ability to arrange travel and overseas support system and improving its airline ticket website. As for package tour sales, the Group will develop price conscious products for its Ciao line, the Group's main product line, expand its added-value Ciaopresso and impresso (brand of package tours that include a tour guide) lines of products, and strive to increase product quality. The role of the various sales channels such as branches, call center, and online reservation system via computers and mobile phones will be clarified, development that stresses productivity and efficiency will be undertaken, and a review will be conducted of product distribution based on product function. In addition to focusing on other projects such as the development of travel products that make use of charter flights, the Group will actively work to utilize regional airports. While conducting a thorough examination of both products and prices and promoting better prices, the Group expects to raise profitability as long-term forward foreign currency contracts for US\$ were concluded.

In regards to online sales, the Group will strengthen the business as an important sales and marketing channel. The Group will increase the number of visitors to its website and rate of repeat use by expanding the number of products reserved on the online system via a computer or mobile phone and creating an easier-to-use system that takes customer convenience into consideration in order to meet the diverse needs of customers. Efforts are also being made to actively employ social media and strengthen communication with customers. The Group will also strive to improve its name recognition overseas by launching travel sites that overseas customers can also use.

Looking at corporate travel related efforts, the Group will expand services, such as alliances with other companies, and reinforce sales activities that target customer groups that are expected to generate new demand, particularly major corporations and the government. Efforts related to group travel will include improving sales that target large organizations and raising both efficiency and profitability. For both corporate and group travel, the Group will not only strive to develop new customers but also actively expand its sales network. Focus will also be on developing human resources to undertake these efforts with an eye on expanding the scale of the business.

Turning to overseas expansion, the Group will further expand its sales branches to the countries and regions such as South America and Africa where there is no our branch yet. In addition to actively opening new branches in cities with existing branches and overseas flagship, the Group will strengthen its system to handle customers from Japan and ability to purchase hotel rooms and focus on operations to provide non-Japanese customers with travel services for trips that depart locally, particularly in Asia, including China. In addition to cultivating human resources that can contribute to the Group globally, the Group will actively develop overseas travel services for trips that depart locally making use of local branches, and move forward with preparations to

become a global travel company.

As for in-bound travel, the Group will integrate and reinforce its specialized organization. While improving its optional tour operations for cruise ships making port calls in Japan and operations to handle customers from overseas, the Group is aiming to establish a new business model that includes developing products for destinations that make use of existing travel branches and target foreigners visiting Japan.

Looking at domestic travel, efforts will be made to improve profitability by concentrating on sales that make use of the Groups strengths such as HUIS TEN BOSCH, Okinawa, Hokkaido, etc. The Group will also deepen its alliances related to in-bound tourism and promote these efforts throughout the Group.

· Hotel business

In the hotel business, the Group will strive to improve customer satisfaction and profitability of its two hotels located on the Gold Coast and in Brisbane, Australia, and the Watermark Sapporo. The Group is also focusing on human resource development and will establish a system to provide pleasant lodging services.

· Theme park business

HUIS TEN BOSCH Co., Ltd., will direct its originality and ingenuity toward its seasonal entertainment and events and promote various new efforts. The company will continue to strive to ensure profits by aggressively planning and selling products both for domestic travel and in-bound tourism and attracting more visitors to the park from both Japan and overseas.

2. Allocation of profits

(1) Basic approach to allocation of profits

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

(2) Basic approach to dividends

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

(3) Utilization of internal capital reserves

In addition to preparation for sudden changes in the travel industry and competition and reorganization within the industry, maintenance of home and abroad branch network and active investments in the IT business,

there is a greater need to respond to unexpected external factors such as recent terrorism, H1N1 flu and sudden phenomena that the Group's customer encounter. Under these conditions, there is a strong awareness of the importance of creating a stable financial base for rapid-response and therefore there is a desire to keep internal reserves relatively thick and stabilize the business foundation.

Based on the above basic policy on the allocation of profits, it is expected that H.I.S. will pay a year-end common dividend of 24.00 yen per share. As for the dividend for the next fiscal year, the Group plans to pay an annual common dividend of 24.00 yen per share to ensure sustainable and stable profit sharing. However, if performance worsens in uncertain market conditions, the Company will remain flexible in responding to the situation.

3. Business and Other Types of Risks

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

The matters pertaining to the future noted in this section were those determined by the Group as of the announcement date of the financial statement (December 17, 2010). Business and other risks are not limited to these risks.

(1) Regional characteristics of business expansion

The travel business comprises 97.8% of group sales by segment; sales by region are also concentrated in Japan, at 94.5%. Changes in the environment for the travel business in Japan therefore have the potential to affect the Group's financial status, operating results, etc.

(2) Changes in fuel surcharges

Parent sales, which were affected by an increase in fuel surcharges associated with the sharp rise in crude oil prices, accounted for 88.7% of group sales, and overseas travel comprised 93.7% of parent sales. The company is currently adding a fuel surcharge to overseas travel fares to reflect the change in crude oil prices. A sharp increase in this fuel surcharge could dampen overall demand and adversely affect the financial condition and business results of the Group.

(3) Trend of travellers to Asia

Japanese passengers heading to Asia accounted for the largest percentage of the Group's total number of Japanese traveling overseas, making up 57.6% of the total (or 42.1% of sales). Changes in the external environment at these destinations, such as international conflicts, terrorism, outbreaks of contagious diseases, or natural disasters, could have an impact on various items including the Group's financial condition and earnings. If it becomes difficult to secure seats on flights as the number of visitors to Japan from Asia rapidly increases, this could have a similar impact.

(4) Competition with other competitors, direct sales by suppliers

The Group Travel Business is subject to stiff competition from various other competitors or direct sales by suppliers; Group financial status, operating results, and other factors could be affected if stiffer competition on prices were to occur.

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

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

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

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

(7) Exchange rate fluctuations

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

The Group also translates the financial statements of consolidated overseas subsidiaries into Japanese Yen when producing the consolidated financial statements. This could affect the Group's financial status, operating results, and other factors should there be fluctuation in exchange rates.

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

The travel business comprises 97.8% of group sales by segment. Therefore, if an infectious disease were to break out and spread throughout the world including Japan and there were a sudden decline in the desire for global travel, these could negatively impact the financial position and earnings of the Group.

(9) Other risks of external factors surrounding the travel business

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

II. Management Policy

1. Basic management policy

Under the corporate concept of "To contribute to the advance of world peace and mutual understanding by increasing the knowledge of people in the world through TOURISM, getting over the differences of nationality, race, culture and religion," the Group strives every day to develop products and provide services that are trusted by and satisfied by customers. While always working to develop the travel business, the Group's core business, from a customer perspective and giving sufficient consideration to safety and peace of mind, the Group is working to further improve customer satisfaction. In addition, the Group will do its most so that it can become a global travel company that is supported in regions throughout the world.

2. Management goals and indicators

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

3. Medium to long-term business strategy

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

- **Strengthening product competitiveness (Increasing share of overseas travel)**

We are developing new market, actively communicating appropriate information to not only its main customer groups- individual travelers, young travelers, and seasoned travelers- but also other customer groups, including corporate/group travelers, the wealthy and seniors. In terms of airline ticket sales, the Group will pursue price advantage, originality, and unique added value, which involves various efforts such as reinforcing the Group's ability to arrange travel and overseas support system and improving its airline ticket website. As for package tour sales, the Group will develop price conscious products for its Ciao line, the Group's main product line, expand the original value-added Ciaopresso and impresso (brand of package tours that include a tour guide) lines of products, and strive to increase product quality. The role of the various sales channels such as branches, call center, and online reservation system via computers and mobile phones will be clarified,

development that stresses productivity and efficiency will be undertaken, and a review will be conducted of product distribution based on product function. In addition to focusing on other projects such as the development of travel products that make use of charter flights, the Group will actively work to utilize regional airports.

• **Strengthening and expanding Internet business**

At a time when the importance of the Internet is growing each year, also to meet customer needs, the Group will create a website that is highly usable from the perspective of customers, and develop travel products. The Group will take on the challenge of making use of the new possibilities of sales channels that are expected to grow in the future, and this will include further strengthening automatic reservations via computers and mobile phones, launching a travel website that foreigners can also use, and working to raise the name recognition of the Group overseas.

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

Looking at corporate travel related efforts, the Group will expand services, such as alliances with other companies, and reinforce sales activities that target customer groups that are expected to generate new demand, particularly major corporations and the government. Efforts related to group travel will include improving sales that target large organizations and raising both efficiency and profitability. For both corporate and group travel, the Group will not only strive to develop new customers but also actively expand its sales network. Focus will also be on developing human resources to undertake these efforts with an eye on expanding the scale of the business.

• **Accelerating global expansion**

The Group is focusing on the continued development of the business in the medium and long term and will work to expand the travel business in addition to developing sales, centered on Japan. Efforts will be made to expand the network of local branches overseas, to further expand the provision of products, information and the support system for customers visiting each region, and to differentiate the Group from its rivals. The Group will also focus on operations to provide non-Japanese customers with travel services for trips that depart locally, particularly in Asia. Overseas travel that departs locally and makes use of overseas branches will actively be developed, and the goal is to transform the company into a global travel company while developing global human resource.

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

As for in-bound travel, the Group will integrate and reinforce its specialized organization. While improving its optional tour operations for cruise ships making port calls in Japan and operations to handle customers from overseas, the Group is aiming to establish a new business model that includes developing products for destinations that make use of existing travel branches and target foreigners visiting Japan. Looking at domestic travel, efforts will be made to improve profitability by concentrating on sales to the region the Group will strengthen such as HUIS TEN BOSCH, etc. The Group will also deepen its alliances related to in-bound

tourism and promote these efforts throughout the Group.

- **New challenge on HUIS TEN BOSCH**

HUIS TEN BOSCH Co., Ltd., a symbol of the Group, will direct its originality and ingenuity toward its seasonal entertainment and events, and promote various new efforts. The company will continue to strive to ensure profits by aggressively planning and selling products both for domestic travel and in-bound tourism to attract more visitors to the park from both Japan and overseas.

4. Key issues

For the year 2010, the number of Japanese departing from Japan is expected to rise dramatically compared to the previous fiscal year. Within the travel industry, gradual increase in the number of Japanese traveling abroad is expected because of various factors including the continuing strong yen and the launch of more international routes from Haneda Airport. Under these conditions, the following are the major issues related to the travel business to be dealt with by the Group:

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

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

- **Improving customer satisfaction**

Customers' travel needs are growing more diverse, and there is a strong trend toward highly-flexible products that correspond to the particular travel style of individuals. While ascertaining trends of the industry and the rivals, the Group will consciously develop products at high speed. In addition to widening its range of travel products, the Group is aiming to achieve several goals including strengthening its personal services of providing optimal travel plans that meet the needs of customers, reinforcing the support system providing customers with peace of mind and safety at their destinations.

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

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

5. Other important matters in company management

None

III. Consolidated Financial Statements

1. Consolidated Balance Sheets

	<i>Millions of Yen</i>	
	As of Oct 31, 2010	As of Oct 31, 2009
ASSETS		
Current assets		
Cash and deposits	52,409	37,630
Accounts receivable-trade	8,106	5,342
Operating accounts receivable	7,005	9,951
Short-term investment securities	269	1,293
Travel advance payments	12,485	8,977
Prepaid expenses	1,364	919
Deferred tax assets	2,138	3,434
Short-term loans receivable.....	34	223
Short-term loans receivable from subs.and affiliates..	136	44
Accounts receivable-other	1,299	1,318
Other	1,928	1,509
Allowance for doubtful accounts.....	(59)	(22)
Total current assets	87,119	70,622
Noncurrent assets		
Property, plant and equipment		
Buildings.....	12,168	7,179
Accumulated depreciation.....	(6,009)	(2,447)
Buildings, net	6,158	4,731
Tools, furniture and fixtures	4,390	3,379
Accumulated depreciation.....	(3,442)	(2,522)
Tools, furniture and fixtures, net	948	856
Land	1,911	1,328
Other	2,306	308
Accumulated depreciation.....	(1,809)	(183)
Other, net.....	497	125
Total property, plant and equipment	9,515	7,041
Intangible assets.....	2,616	2,094
Investments and other assets		
Investment securities	10,741	4,822
Stocks of subsidiaries and affiliates.....	3,423	3,620
Investments in capital of subs. and affiliates	244	14
Long-term loans receivable	1,034	288
Long-term loans receivable from subs. and affiliates..	930	1,045
Deferred tax assets	46	650
Guarantee deposits	4,732	6,069
Other	302	511
Allowance for doubtful accounts.....	(174)	(182)
Total investments and other assets	21,279	16,841
Total noncurrent assets	33,411	25,977
Deferred assets	24	—
Total assets	120,555	96,600

	<i>Millions of Yen</i>	
	As of Oct 31, 2010	As of Oct 31, 2009
LIABILITIES		
Current liabilities		
Operating accounts payable	15,180	12,660
Short-term loans payable	—	186
Current portion of long-term loans payable	87	0
Accounts payable-other	1,177	902
Accrued expenses	1,762	1,703
Income taxes payable	1,426	722
Accrued consumption taxes	436	74
Travel advance received	28,771	21,558
Provision for bonuses	2,361	2,371
Provision for directors' bonuses	67	72
Provision for travel fund interests	3	1
Provision for point card certificates	35	—
Forward exchange contracts	249	4,149
Other	2,812	1,892
Total current liabilities	54,374	46,297
Noncurrent liabilities		
Long-term loans payable	895	140
Deferred tax liabilities	2,136	13
Provision for retirement benefits	3,049	1,491
Provision for directors' retirement benefits	403	368
Provision for travel fund interests	4	3
Provision for repairs	1,584	—
Other	622	226
Total noncurrent liabilities	8,696	2,244
Total liabilities	63,070	48,541
NET ASSETS		
Shareholders' equity		
Capital stock	6,882	6,882
Capital surplus	7,782	7,782
Retained earnings	40,105	37,660
Treasury stock	(2,521)	(2,521)
Total shareholders' equity	52,248	49,803
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,559	401
Deferred gains or losses on hedges	(84)	(2,173)
Foreign currency translation adjustment	(1,291)	(599)
Total valuation and translation adjustments	3,184	(2,370)
Minority interests	2,051	626
Total net assets	57,484	48,059
Total liabilities and net assets	120,555	96,600

2. Consolidated Statements of Income

	<i>Millions of Yen</i>	
	Nov 1, 2009 – Oct 31, 2010	Nov 1, 2008 – Oct 31, 2009
Net sales	348,065	325,086
Cost of sales	288,366	269,130
Gross profit	59,699	55,955
Selling, general and administrative expenses	53,420	48,817
Operating income	6,278	7,137
Non-operating income		
Interest income	368	609
Commission fee	—	1
Equity in earnings of affiliates	238	420
Subsidy income	490	—
Other	354	187
Total non-operating income	1,451	1,219
Non-operating expenses		
Interest expenses	23	2
Foreign exchange losses	2,642	2,729
Loss on investments in partnership	—	20
Other	44	21
Total non-operating expenses	2,710	2,774
Ordinary income	5,019	5,582
Extraordinary income		
Gain on sales of noncurrent assets	8	4
Gain on sales of investment securities	113	0
Reversal of allowance for doubtful accounts	2	3
Gain on negative goodwill	632	—
Gain on prior periods adjustment	—	2
Gain on bad debts recovered	—	1
Others	183	—
Total extraordinary income	940	11
Extraordinary loss		
Loss on sales of noncurrent assets	—	0
Loss on retirement of noncurrent assets	96	32
Loss on redemption of securities	98	—
Loss on sales of investment securities	314	—
Loss on valuation of investment securities	53	67
Loss on valuation of stocks of subsidiaries and affiliates	—	55
Cancellation fee	149	—
Loss on prior periods adjustment	—	0
Accident-related costs	—	98
Other	48	9
Total extraordinary losses	761	264
Income before income taxes and minority interests	5,199	5,329
Income taxes - current	1,908	1,219
Income taxes - deferred	(350)	574
Total income taxes	1,557	1,794
Income before minority interests	3,641	—
Minority interests in income	256	163
Net income	3,384	3,371

3. Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	Nov 1, 2009- Oct 31, 2010	Nov 1, 2008- Oct 31, 2009
1. Shareholders' equity		
Capital stock		
Balance at the end of previous period	6,882	6,882
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	6,882	6,882
Capital surplus		
Balance at the end of previous period	7,782	7,782
Changes of items during the period		
Disposal of treasury stock	—	0
Total changes of items during the period	—	0
Balance at the end of current period	7,782	7,782
Retained earnings		
Balance at the end of previous period	37,660	34,946
Changes of items during the period		
Dividends from surplus	(778)	(778)
Net income	3,384	3,371
Change of scope of consolidation	(161)	218
Change of scope of equity method	—	(97)
Total changes of items during the period	2,445	2,713
Balance at the end of current period	40,105	37,660
Treasury stock		
Balance at the end of previous period	(2,521)	(2,519)
Changes of items during the period		
Purchase of treasury stock	(0)	(2)
Disposal of treasury stock	—	0
Total changes of items during the period	(0)	(2)
Balance at the end of current period	(2,521)	(2,521)
Total shareholders' equity		
Balance at the end of previous period	49,803	47,092
Changes of items during the period		
Dividends from surplus	(778)	(778)
Net income	3,384	3,371
Change of scope of consolidation	(161)	218
Change of scope of equity method	—	(97)
Purchase of treasury stock	(0)	(2)
Disposal of treasury stock	—	0
Total changes of items during the period	2,444	2,711
Balance at the end of current period	52,248	49,803

(Millions of Yen)

	Nov 1, 2009- Oct 31, 2010	Nov 1, 2008- Oct 31, 2009
2. Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	401	(181)
Changes of items during the period		
Net changes of items other than s'hldrs' equity	4,158	583
Total changes of items during the period	4,158	583
Balance at the end of current period	4,559	401
Deferred gains or losses on hedges		
Balance at the end of previous period	(2,173)	(4,582)
Changes of items during the period		
Net changes of items other than s'hldrs' equity	2,089	2,409
Total changes of items during the period	2,089	2,409
Balance at the end of current period	(84)	(2,173)
Foreign currency translation adjustment		
Balance at the end of previous period	(599)	2,483
Changes of items during the period		
Net changes of items other than s'hldrs' equity	(691)	(3,082)
Total changes of items during the period	(691)	(3,082)
Balance at the end of current period	(1,291)	(599)
Total valuation and translation adjustments		
Balance at the end of previous period	(2,370)	(2,281)
Changes of items during the period		
Net changes of items other than s'hldrs' equity	5,555	(89)
Total changes of items during the period	5,555	(89)
Balance at the end of current period	3,184	(2,370)
Minority interests		
Balance at the end of previous period	626	399
Changes of items during the period		
Net changes of items other than s'hldrs' equity	1,425	227
Total changes of items during the period	1,425	227
Balance at the end of current period	2,051	626
Total net assets		
Balance at the end of previous period	48,059	45,210
Changes of items during the period		
Dividends from surplus	(778)	(778)
Net income	3,384	3,371
Change of scope of consolidation	(161)	218
Change of scope of equity method	—	(97)
Purchase of treasury stock	(0)	(2)
Disposal of treasury stock	—	0
Net changes of items other than s'hldrs' equity	6,981	137
Total changes of items during the period	9,425	2,849
Balance at the end of current period	57,484	48,059

4. Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>	
	Nov 1, 2009 – Oct 31, 2010	Nov 1, 2008 – Oct 31, 2009
I. Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	5,199	5,329
Depreciation and amortization	1,545	1,209
Amortization of goodwill	146	92
Gain on negative goodwill	(632)	—
Increase (decrease) in allowance for doubtful accounts	(6)	109
Increase (decrease) in provision for bonuses	5	260
Increase (decrease) in provision for directors' bonuses	0	21
Increase (decrease) in provision for retirement benefits	188	136
Increase (decrease) in provision for directors' retirement benefits	35	(50)
Increase (decrease) in provision for travel fund interests	—	(0)
Increase (decrease) in provision for repairs	84	—
Interest and dividends income	(485)	(610)
Equity in (earnings) losses of affiliates	(238)	(420)
Foreign exchange losses (gains)	2,209	1,437
Interest expenses	23	2
Loss (gain) on investments in partnership	—	20
Loss (gain) on redemption of securities	98	—
Loss (gain) on sales of investment securities	201	1
Loss (gain) on valuation of investment securities	53	67
Loss (gain) on sales of property, plant and equipment	(7)	(3)
Loss on retirement of property, plant and equipment	89	31
Loss on valuation of stocks of subsidiaries and affiliates	—	55
Other loss (gain)	(15)	(20)
Decrease (increase) in notes and accounts receivable-trade	480	(1,579)
Decrease (increase) in travel advance payments	(3,565)	1,129
Decrease (increase) in other assets	(506)	(389)
Increase (decrease) in notes and accounts payable-trade	2,475	(2,596)
Increase (decrease) in accrued consumption taxes	300	(301)
Increase (decrease) in accrued expenses	(22)	174
Increase (decrease) in travel advances received	7,286	(2,516)
Increase (decrease) in other liabilities	(15)	7
Subtotal	14,930	1,600
Interest and dividends income received	532	750
Interest expenses paid	(23)	(2)
Income taxes (paid) refund	(1,227)	(707)
Net cash provided by operating activities	14,212	1,640

	<i>Millions of Yen</i>	
	Nov 1, 2009–Oct 31, 2010	Nov 1, 2008–Oct 31, 2009
II. Net cash provided by (used in) investing activities		
Payments into time deposits	(6,946)	(2,892)
Proceeds from withdrawal of time deposits	3,284	12,194
Purchase of short-term investment securities	(212)	(104)
Proceeds from sales of short-term investment securities	2,024	40
Proceeds from redemption of securities	1,559	1,001
Purchase of property, plant and equipment and intangible assets....	(2,449)	(1,739)
Proceeds from sales of property, plant and equipment and intangible assets	13	10
Purchase of investment securities	—	(577)
Purchase of stocks of subsidiaries and affiliates	(337)	(417)
Proceeds from sales of investment securities	527	98
Proceeds from redemption of investment securities	211	14
Proceeds from sales of stocks of subsidiaries and affiliates	0	42
Purchase from purchase of investments in subsidiaries resulting in changes in scope of consolidations	2,771	—
Payments of loans receivable	(1,702)	(305)
Collection of loans receivable	871	115
Payments for transfer of business	(10)	(229)
Payments for guarantee deposits	(731)	(8,587)
Proceeds from collection of guarantee deposits	2,189	6,905
Other, net	(45)	(41)
Net cash provided by investing activities	1,019	5,528
III. Net cash provided by (used in) financing activities		
Increase in short-term loans payable	—	187
Decrease in short-term loans payable	(211)	(9)
Repayment of long-term loans payable	(108)	(14)
Cash dividends paid	(778)	(778)
Cash dividends paid to minority shareholders	(14)	(12)
Repayments of finance lease obligations	—	(2)
Purchase of treasury stock	(0)	(2)
Proceeds from disposal of treasury stock	—	0
Other, net	(52)	(10)
Net cash used in financing activities	(1,166)	(642)
IV. Effect of exchange rate change on cash & cash equivalents	(2,774)	(2,533)
V. Net increase (decrease) in cash & cash equivalents	11,291	3,992
VI. Cash & cash equivalents at beginning of period	35,070	31,080
VII. Increase in cash & cash equivalents from newly consolidated subsidiary	91	726
VIII. Increase (decrease) in cash & cash equivalents resulting from change of scope of consolidation	(113)	(729)
IX. Cash & cash equivalents at end of period	46,340	35,070

Segment Information

1. Segment Information by Business

Current Fiscal Year ended October 31, 2010

(Millions of Yen)

	Travel business	Hotel business	Theme park business	Other businesses	Total	Eliminations & Corporate	Consolidated
I. Net sales and operating income							
Net sales							
(1) Sales to outside customers	340,455	2,070	5,512	27	348,065	—	348,065
(2) Inter-segment sales / transfers	64	92	57	—	214	(214)	—
Total	340,519	2,162	5,570	27	348,280	(214)	348,065
Operating expenses	330,138	2,185	5,683	1	338,008	3,778	341,787
Operating income	10,381	(22)	(113)	26	10,271	(3,992)	6,278
II. Assets, depreciation and capital expenditure							
Assets	60,784	6,979	9,348	279	77,391	43,163	120,555
Depreciation	753	291	44	1	1,090	447	1,538
Capital expenditure	1,158	126	449	—	1,734	788	2,523

Previous Fiscal Year ended October 31, 2009

(Millions of Yen)

	Travel business	Hotel business	Other businesses	Total	Eliminations & Corporate	Consolidated
I. Net sales and operating income						
Net sales						
(1) Sales to outside customers	323,338	1,720	27	325,086	—	325,086
(2) Inter-segment sales / transfers	0	29	—	29	(29)	—
Total	323,339	1,749	27	325,116	(29)	325,086
Operating expenses	312,736	1,718	1	314,455	3,492	317,948
Operating income	10,602	31	25	10,660	(3,522)	7,137
II. Assets, depreciation and capital expenditure						
Assets	57,581	6,185	281	64,047	32,552	96,600
Depreciation	590	191	0	782	427	1,209
Capital expenditure	588	399	30	1,018	816	1,834

2. Segment Information by Geographical Area

Current Fiscal Year ended October 31, 2010

(Millions of Yen)

	Japan	America	Asia / Oceania	Europe	Total	Eliminations & Corporate	Consolidated
I. Net sales							
(1) Sales to outside customers	328,821	5,916	8,308	5,018	348,065	—	348,065
(2) Inter-segment sales / transfers	368	15,063	13,057	3,271	31,762	(31,762)	—
Total	329,190	20,980	21,366	8,290	379,828	(31,762)	348,065
Operating expenses	320,005	20,817	20,660	8,073	369,556	(27,769)	341,787
Operating income	9,184	163	706	217	10,271	(3,992)	6,278
II. Assets	62,525	3,416	12,084	2,197	80,224	40,330	120,555

Previous Fiscal Year ended October 31, 2009

(Millions of Yen)

	Japan	America	Asia / Oceania	Europe	Total	Eliminations & Corporate	Consolidated
I. Net sales							
(1) Sales to outside customers	309,052	4,800	6,624	4,608	325,086	—	325,086
(2) Inter-segment sales / transfers	163	14,826	14,229	3,219	32,438	(32,438)	—
Total	309,216	19,627	20,853	7,828	357,525	(32,438)	325,086
Operating expenses	299,993	19,292	19,878	7,700	346,864	(28,916)	317,948
Operating income	9,222	334	975	128	10,660	(3,522)	7,137
II. Assets	48,972	3,627	12,347	2,279	67,227	29,373	96,600