



## **Consolidated Financial Results**

### **For the Fiscal Year Ended October 31, 2012**

*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, 2012

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

Exchange Listed:	Tokyo Stock Exchange, 1 <sup>st</sup> section
Principal Office:	Tokyo, Japan
Homepage:	<a href="http://www.his.co.jp">http://www.his.co.jp</a>
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Scheduled date of annual shareholders' meeting:	January 29, 2013
Date of Dividend payment:	January 30, 2013
Scheduled date of filing annual report:	January 30, 2013

## 1. Consolidated Financial Results (November 1, 2011 – October 31, 2012)

### (1) Consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2012	%	2011	%
Net Sales .....	431,483	13.3	380,805	9.4
Operating Income .....	11,316	20.3	9,407	49.8
Ordinary Income .....	13,479	22.5	11,005	119.2
Net Income .....	9,331	12.4	8,300	145.2
Net Income per Share (yen).....	287.77		255.96	
Net Income per Share, Diluted (yen).....	—		—	
Return on Equity (ROE) .....	14.3%		14.0%	
Ordinary Income to Total Assets Ratio .....	8.6%		8.5%	
Operating Income to Net Sales Ratio.....	2.6%		2.5%	
Notes: Comprehensive income:	Full year ended October 31, 2012:		7,367 million yen ( -18.2%)	
	Full year ended October 31, 2011:		9,008 million yen ( -1.2%)	
Notes: Equity of earnings in affiliates:	Full year ended October 31, 2012:		405 million yen	
	Full year ended October 31, 2011:		186 million yen	

### (2) Consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2012	2011
Total Assets.....	173,497	139,018
Net Assets.....	76,763	65,589
Shareholders' Equity Ratio.....	39.0%	45.3%
Net Assets per Share (yen).....	2,088.35	1,942.32
Notes: Shareholders' equity (consolidated):	As of October 31, 2012:	67,718 million yen
	As of October 31, 2011:	62,984 million yen

### (3) Consolidated Cash Flows

	<i>Millions of Yen</i>	
	Fiscal Year Ended October 31,	
	2012	2011
Cash Flows from Operating Activities .....	9,577	18,464
Cash Flows from Investing Activities .....	(18,250)	(18,147)
Cash Flows from Financing Activities .....	(295)	(1,843)
Cash and Cash Equivalents at End of Year .....	35,821	44,703

### 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			
FY2011	0.00	32.00	32.00	1,037	12.5	1.8
FY2012	0.00	34.00	34.00	1,102	11.8	1.7
FY2013 (Forecast)	0.00	34.00	34.00	—	11.0	—

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

	<i>Millions of Yen</i>			
	Interim ending April 30, 2013		FY ending October 31, 2013	
	Sales	Profit	Sales	Profit
Net Sales .....	230,000	14.3%	490,000	13.6%
Operating income .....	6,500	29.0%	15,000	32.5%
Ordinary Income .....	7,500	16.5%	17,000	26.1%
Net Income .....	4,300	3.9%	10,000	7.2%
Net Income per Share (yen) .....	132.61		308.39	

### 4. Additional Notes

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

Yes (1 Company)

(KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.)

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

- |                                                              |      |
|--------------------------------------------------------------|------|
| (i) Changes accompanying amendments to accounting standards: | None |
| (ii) Changes other than those in (i) above:                  | None |
| (iii) Change in accounting estimates:                        | None |
| (iv) Restatement:                                            | None |

(4) Number of shares issued (common shares)

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

As of Oct 31, 2012	34,261,468 shares
As of Oct 31, 2011	34,261,468 shares

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

As of Oct 31, 2012	1,834,658 shares
As of Oct 31, 2011	1,834,108 shares

(iii) Average number of shares during the period

As of Oct 31, 2012	32,427,105 shares
As of Oct 31, 2011	32,427,474 shares

## 5. Non-consolidated Financial Results (November 1, 2011 – October 31, 2012)

### (1) Non-consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2012	%	2011	%
Net sales .....	367,865	9.9	334,683	8.4
Operating Income .....	6,215	(0.4)	6,243	24.6
Ordinary Income .....	6,788	0.1	6,779	143.6
Net Income .....	3,699	(32.3)	5,466	341.7
Net Income per Share (yen).....	114.10		168.57	
Net Income per Share, Diluted (yen).....	—		—	

### (2) Non-consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2012	2011
Total Assets .....	114,047	114,775
Net Assets .....	52,058	52,316
Shareholders' Equity Ratio .....	45.6%	45.6%
Net Assets per Share (yen) .....	1,605.42	1,613.34
Note: Shareholders' equity:	Fiscal year ended October 31, 2012:	52,058 million yen
	Fiscal year ended October 31, 2011:	52,316 million yen

*Note on the status of audit procedures:*

*This summary of financial statements is exempt from the audit procedures based on "Financial Instruments and Exchange Act", while the consolidated financial statements have been reviewed at the time of disclosure of this report.*

*Notes:*

*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 7 for further information concerning the projections.*

## **I. Overview of Operating Results**

### **1. Operating Results**

#### **(1) Overview of consolidated results for the fiscal period**

During the fiscal year under review, the overall Japanese economy recorded weak growth for various reasons including the slowdown in the global economy.

Within the travel industry, demand for overseas travel trended upward, supported by the continuing historically strong yen and growing travel opportunities for seniors. According to the Japan National Tourist Organization (JNTO), the (estimated) number of Japanese who departed the country from November 2011 through October 2012 is expected to have increased 10.9% year on year to a historically high of around 18,573,000 people, an increase of approximately 1,831,000 people.

Under these business conditions, the Group strove to improve the quality of its services and implemented various measures so that it could ensure strong demand in the travel business, the Group's main business segment.

#### **· Travel Business**

As for initiatives in the area of online travel sales, the Group completely renewed its online overseas airline ticket reservation site in November 2011 in order to strengthen ticket sales. In addition, several new services were introduced, such as a website that integrates reservations for overseas airline tickets and hotel booking in May 2012. Improvements were also made such as making the search and reservation pages more user friendly and simplifying procedures. In order to increase convenience, the Group also enhanced its smartphone application (e.g. H.I.S. overseas ticket reservations) and services provided through SNSs such as Facebook and LINE. Internet-based sales were firm.

As for sales channels, in East Japan, the Group restructured its network of branches with a focus on productivity and introduced mini-branches. In West Japan, the Group reinforced its sales system through various endeavors including opening a specialty branch in the headquarters in Umeda, Osaka. Moreover, efforts were made to further strengthen its sales system for overseas weddings by establishing overseas wedding/honeymoon counters at all of the Group's hundred branches throughout Japan and other measures.

Turning to group travel, the overall business was firm as sales of tours to see events at the London Olympics, which H.I.S. has become the official travel agent of for the first time, were extremely strong and orders for large-scale group trips (for corporate clients, various events, school trips, etc.) grew. As for corporate travel (corporate business trips), the Group has steadily increased the number of corporate clients through various endeavors including linking the corporate reservation system SFIDA-online to the overseas ticket search system, increasing convenience, and dispatching sales staff throughout the world to expand corporate contracts globally.

As for product development, the Group strengthened sales for charter flights (Jet Asia Airway flights to

Bangkok, flights from areas throughout Japan to Hawaii, etc.), and these flights were used by many customers. Working to improve the "impresso" brand of guided tours, the Group developed extremely creative products, including one plan that involved renting out the Louvre Museum, and they were well received by customers. Efforts such as a commercial that Sei Hiraizumi, a popular Japanese actor, appeared in were used to strengthen marketing of its three-generation travel products to new groups of customers. The Group has worked to fully enter Japan's domestic travel industry, and within this business, the Group launched sales of not only tours that make use of low-cost carriers (LCC) that started flights this year but also products related to the business tie-up with All Nippon Airways at all the Group's branches. Furthermore, the domestic lodging reservation website Sumayado was launched in March 2012.

Turning to the business expansion overseas, the Group made further improvements to both its H.I.S. VACATION business and the overseas out-bound business. The H.I.S. VACATION business involves Internet-based direct sales of products such as overseas hotel bookings and optional tours created or obtained by overseas offices to both Japanese and overseas travelers while the overseas out-bound business covers sales of locally-departing flights to non-Japanese customers, mainly in Asia. Furthermore, the Group launched an online reservation site for local overseas clients in Singapore, following the introduction of a similar site in Thailand. The Group will move forward with constructing sites that are closely tied to the local community throughout the world. In addition, the BtoB business, wholesale sales to other travel companies, steadily grew as staff conducted aggressive sale activities. As for branches, the Group continued to actively reinforce its network of branches, which included efforts such as expanding lounges in its branches in Nairobi, Kenya; Pusan, Korea (out-bound operations), and Guam.

As a result of the various measures discussed above and despite the effect of travel postponements and cancellations due to some diplomatic problems, the travel business was able to increase the number of passengers departing Japan that it handled during the current fiscal year. Therefore, the Group recorded an increase in both sales and income for the business, with sales rising 11.4% year on year to 407,304 million yen and operating income increasing 13.6% year on year to 11,384 million yen, which was for various reasons including sales activities that stressed productivity.

· Hotel Business

In the hotel business, the Group had two hotels in Australia and one in Sapporo, and added two new hotels during the fiscal year. The Watermark Hotel Nagasaki located in Nagasaki's HUIS TEN BOSCH and the Guam Reef Hotel located along the Tamon Bay on Guam were newly included in the scope of consolidation. The Group strove to improve customer satisfaction and profitability at all hotels, and sales rose 24.5% year on year to 2,784 million yen for the business, but the Group recorded an operating loss of 232 million yen for the business.

· Theme Park Business

HUIS TEN BOSCH Co. Ltd. which celebrated the twenty-year anniversary of its founding, worked to increase the quality of the theme park, improved its customer draw, and reduced expenses. The company enhanced

well received events that were designed to attract customers. These events included Gardening World Cup, Kingdom of Light, and the Rose Festival. Furthermore, events that have remained extremely popular, such as the Hanabi (Fireworks) World Cup, contributed to stronger customer draw. As for new attractions, in addition to winning a bid for the White Ferris Wheel in November 2011, HUIS TEN BOSCH introduced Adventure Park in March 2012, the Thriller Fantasy Museum in May, and ONE PIECE Ride Cruise - FOR THE NEW WORLD - in Huis Ten Bosch in July 2012, increasing the value of visiting the park. The Huis Ten Bosch Art Museum hosted Visionary Art the Gogh Exhibition since July in commemoration of the twenty-year anniversary of the opening of the museum, and the exhibition has been warmly received. As a result, sales rose 19.3% year on year to 15,957 million yen and operating income increased 166.9% year on year to 2,639 million yen for the business.

The following are the year-on-year changes in earnings for HUIS TEN BOSCH itself for the twelve months from October 2011 through September 2012.

	<i>Millions of Yen</i>			
	Previous FY (Oct 1, 2010 – Sept 30, 2011)	Current FY (Oct 1, 2011 – Sept 30, 2012)	Y-Y Change (%)	Y-Y Change
Number of Visitors (Foreign Visitors) (Thousand persons).....	1,799 (143)	1,918 (153)	106.6% (107.3%)	119 (10)
Net Sales .....	13,198	15,255	115.6%	2,057
Operating Income .....	1,056	2,424	229.5	1,368
Ordinary Income .....	1,978	3,412	172.5	1,434
Net Income .....	1,914	4,221	220.5	2,307

· Transportation Business

On February 29, 2012, the Ocean Rose, which is operated by HTB CRUISE Co., Ltd., made its maiden cruise from Nagasaki to Shanghai. Although full operations were launched with higher quality cruises on July 25, the Group recorded 157 million yen in sales and an operating loss of 1,142 million yen for the business because of diplomatic problems.

· Kyushu Sanko Group

In order to strengthen domestic travel in Japan and promote travel to Japan, H.I.S. purchased additional shares of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., turning the company into a consolidated subsidiary. The Kyushu Sanko Group, the holding company of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., recorded 6,137 million yen in sales and recorded 275 million yen in operating income. The company has only been included in the scope of consolidation for three months, July-September 2012.

As a result, consolidated net sales increased 13.3% year on year to 431,483 million yen, consolidated operating income rose 20.3% year on year to 11,316 million yen, ordinary income rose 22.5% year on year to 13,479 million yen, and net income increased 12.4% year on year to 9,331 million yen.

Segment figures include transactions between segments.

## **(2) Forecasts for next fiscal year**

The global economic environment will likely remain uncertain due to some diplomatic problems, but within the travel industry, travel demand is expected to rise for various reasons including the spread of LCCs in Japan, new routes from overseas, and greater travel opportunities for seniors. On the other hand, we project that it will become more important to respond to market changes, such as diversification of points of contact with customers and fiercer competition within the industry both in Japan and overseas that includes airline companies that are promoting direct sale of products.

Under these business conditions, within the travel business, the Group's core segment, the Group will strive to improve its safety, security, service, and quality; focus on generating synergies within the group; deftly respond to customer needs, including making a foray into the cruise business and aggressively using charter flights; develop original products and services for the global market; and rapidly implement measures in order to expand and broaden the travel business for both flights departing from Japan and locally overseas. In addition, the Group will promote expansion with a greater awareness of productivity and efficiency and further increase earnings, and this will involve various activities including sales operations that take into consideration sales channels and conducting promotions to generate demand based on an awareness of the medium's characteristics.

HUIS TEN BOSCH Co., Ltd. will exert its originality and creativity to develop entertainment and events and move forward various new projects. The company will strive to realize further growth through various endeavors, including holding the From No.1 of the East to No.1 of the world - Kingdom of the Light with 10 million illumination bulbs (from November 23, 2012 - March 10, 2013); opening i-4, a dome theater with 360 degrees panoramic view on November 23, 2012; and introducing The Maze, a massive five-story maze that is on one of the largest in the world, in the spring of 2013 (expected to open March 1, 2013).

In addition, the Group announced the founding of an international charter airline company on December 4, 2012, and the company plans to make its first flight in the summer of 2013 and is in preparation for this flight.

## **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.

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.

## **(2) Utilization of internal capital reserves**

In addition to preparation for sudden changes, both domestically as well as internationally, in the travel industry and competition and reorganization within the industry, maintenance of 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 Group customers 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 Consolidated Financial Results for the internal reserves relatively thick and stabilize the business foundation.

The Company expects to pay a year-end dividend of 34 yen per share. As for the dividend for the next fiscal year, the Group plans to pay an annual common dividend of 34 yen per share to ensure sustainable and stable profit sharing. However, the Company will remain flexible in responding to the situation, if performance worsens in uncertain market conditions.

## **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 14, 2012). Business and other risks are not limited to these risks.

### **(1) Regional characteristics of business expansion**

The travel business comprises 94.4% of group sales by segment; sales by region are also concentrated in Japan, at 94.9%. 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 83.6% of group sales, and overseas travel comprised 99.0% 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 travelers to Asia and trend of travelers visiting Japan**

Japanese passengers heading to Asia accounted for the largest percentage of the Group's total number of Japanese traveling overseas, making up 58.2% of the total (or 43.1% of sales). Changes in the external environment at these destinations, such as 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**

The Group Travel Business is subject to stiff competition from other travel agencies 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 94.4% 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 surrounding the travel business**

Other than the above, risks 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 to make great strides toward becoming a global travel company that is supported in countries and 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, departing from Japan, 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 will be revised, which involve improving efficiency by utilizing information technology, and strengthening the education and training system. The Group will thus increase the productivity per employee.

### **3. Medium to long-term business strategy**

Through focusing our Group's business resources on our travel related 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 global travel company that is trusted and supported globally, the Group will market its corporate/group, domestic, and cruise travel operations, and aggressively develop overseas travel services for trips departing locally by making use of overseas branches that focus their efforts on Asia. Details are provided below.

#### **• Strengthening product competitiveness and sales channels**

We are developing new market, by offering appropriate information and services 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; expanding a line of products; and improving the quality. Focusing on several endeavors including developing travel products that make use of charter flights from various areas of Japan, we will create a system to provide a stable supply of seats and our independently developed travel products. Efforts will also be made to clarify the roles of the various sales channels, such as branches, call center, and automatic online reservation service, and to expand business that stresses productivity and efficiency.

- **Expanding travel business overseas**

In addition to expanding our overseas network, a distinguishing feature of the Group, we will further reinforce intercompany partnerships, strengthen our support system for travelers at their destination and our ability to provide products and information, and expand the travel business overseas. Furthermore, we will strive to increase the number of customers who use our services throughout the world by making the services and products created by local overseas branches, such as stays at overseas hotels and optional tours, available over the Internet.

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

We will strive to expand our network of branches and to develop new customers, look to expand the scale of business, and focus on developing the personnel who will be responsible for this approach.

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

We will aim to establish new in-bound travel businesses such as the sightseeing business at ports that cruise ships dock at by strengthening partnerships with overseas branches. As for efforts related to domestic travel, we will promote Group-wide endeavors to raise profitability and to stimulate the domestic travel market by focusing on sales, particularly those related to HUIS TEN BOSCH and Okinawa.

- **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. We are also taking on various challenges in order to transform the city into one based on sightseeing.

#### **4. Key issues**

In the travel industry in Japan, the Company projects that the competition among not only existing major travel companies, but also travel companies throughout the world along with airline companies who directly sell their tickets will become ever fiercer. Under these conditions, the following are the major issues to be dealt with by the Group:

- **Efforts to collect, provide and share information**

As a travel company, the Group recognizes that striving to improve safety, peace of mind, and quality of services and products 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 high quality products and information for safe and secure travel. Furthermore, the Company will create common in-house service criteria and work to please customers and win their support.

- **Pursuit of providing clear information**

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. As for the Group, we will ascertain trends in the industry and among various competitors and are developing our own travel products and services. The Group will promote efficiency through system rationalization and each employee's innovation, and aim to achieve several goals including strengthening its personal services of providing optimal travel plans that meet the needs of customers by providing rapid and clear responses, reinforcing the support system providing customers with peace of mind and safety at their destinations. The Group will thus strive to differentiate from the company's competitors.

- **Future personnel development, challenge for growth**

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, which leads to growth with daily efforts and challenges, a priority issue and promotes the creation of an enabling environment.

## **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, 2012	As of Oct 31, 2011
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits .....	65,495	63,894
Accounts receivable-trade .....	12,505	8,295
Operating accounts receivable .....	5,135	4,606
Short-term investment securities .....	1,830	1,750
Travel advance payments .....	17,626	15,536
Prepaid expenses .....	1,409	1,142
Deferred tax assets .....	2,568	2,050
Short-term loans receivable .....	34	32
Short-term loans receivable from subs.and affiliates .....	105	1,460
Accounts receivable-other .....	1,829	1,647
Other .....	3,268	2,424
Allowance for doubtful accounts.....	(111)	(31)
<b>Total current assets.....</b>	<b>111,697</b>	<b>102,810</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings .....	32,733	12,880
Accumulated depreciation.....	(21,833)	(6,521)
Buildings, net.....	10,899	6,359
Tools, furniture and fixtures .....	7,860	4,941
Accumulated depreciation.....	(5,936)	(3,744)
Tools, furniture and fixtures, net .....	1,924	1,196
Vessels .....	3,502	2,647
Accumulated depreciation.....	(549)	(372)
Vessels, net.....	2,953	2,274
Land .....	21,048	2,019
Lease assets.....	2,662	82
Accumulated depreciation.....	(843)	(26)
Lease assets, net .....	1,819	55
Other .....	9,992	1,777
Accumulated depreciation.....	(8,082)	(1,301)
Other, net .....	1,909	476
<b>Total property, plant and equipment .....</b>	<b>40,554</b>	<b>12,383</b>
<b>Intangible assets .....</b>	<b>4,532</b>	<b>2,937</b>
<b>Investments and other assets</b>		
Investment securities.....	4,595	9,849
Stocks of subsidiaries and affiliates .....	3,789	4,505
Investments in capital of subs. and affiliates.....	85	85
Long-term loans receivable .....	950	960
Long-term loans receivable from subs. and affiliates.....	237	816
Deferred tax assets .....	1,321	58
Guarantee deposits .....	5,384	4,418
Other .....	485	313
Allowance for doubtful accounts.....	(153)	(151)
<b>Total investments and other assets .....</b>	<b>16,696</b>	<b>20,855</b>
<b>Total noncurrent assets.....</b>	<b>61,783</b>	<b>36,176</b>
Deferred assets.....	16	31
<b>Total assets .....</b>	<b>173,497</b>	<b>139,018</b>

	<i>Millions of Yen</i>	
	As of Oct 31, 2012	As of Oct 31, 2011
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable .....	17,162	16,455
Short-term loans payable .....	2,300	—
Current portion of long-term loans payable .....	1,510	—
Accounts payable-other .....	2,342	1,839
Accrued expenses .....	2,232	1,817
Income taxes payable.....	1,953	3,985
Accrued consumption taxes .....	273	258
Travel advance received .....	39,537	34,740
Lease obligations.....	465	44
Provision for bonuses .....	3,503	2,968
Provision for directors' bonuses .....	216	159
Other .....	4,708	3,241
<b>Total current liabilities .....</b>	<b>76,206</b>	<b>65,509</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable .....	4,781	—
Deferred tax liabilities .....	4,975	1,788
Provision for retirement benefits.....	5,259	3,689
Provision for directors' retirement benefits .....	589	418
Provision for repairs.....	1,554	1,471
Lease obligations.....	1,803	44
Other .....	1,563	506
<b>Total noncurrent liabilities .....</b>	<b>20,528</b>	<b>7,918</b>
<b>Total liabilities.....</b>	<b>96,734</b>	<b>73,428</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock .....	6,882	6,882
Capital surplus.....	7,782	7,782
Retained earnings .....	55,966	47,658
Treasury stock .....	(2,524)	(2,522)
<b>Total shareholders' equity.....</b>	<b>68,107</b>	<b>59,801</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities.....	1,433	4,364
Deferred gains or losses on hedges .....	16	(6)
Foreign currency translation adjustment.....	(1,839)	(1,175)
<b>Total accumulated other comprehensive income.....</b>	<b>(389)</b>	<b>3,182</b>
Minority interests .....	9,044	2,605
<b>Total net assets .....</b>	<b>76,763</b>	<b>65,589</b>
<b>Total liabilities and net assets .....</b>	<b>173,497</b>	<b>139,018</b>

## 2. Consolidated Statements of Income

	<i>Millions of Yen</i>	
	Nov 1, 2011 – Oct 31, 2012	Nov 1, 2010 – Oct 31, 2011
<b>Net sales</b> .....	431,483	380,805
Cost of sales .....	354,512	310,238
Gross profit .....	76,971	70,566
Selling, general and administrative expenses .....	65,654	61,158
<b>Operating income</b> .....	<b>11,316</b>	<b>9,407</b>
<b>Non-operating income</b>		
Interest income .....	511	418
Foreign exchange gains .....	254	—
Equity in earnings of affiliates .....	405	186
Subsidy income .....	853	891
Other .....	376	304
<b>Total non-operating income</b> .....	<b>2,401</b>	<b>1,800</b>
<b>Non-operating expenses</b>		
Interest expenses .....	42	15
Foreign exchange losses .....	—	64
Provision of allowance for doubtful accounts .....	67	5
Amortization of business commencement expenses .....	40	6
Loss on investments in silent partnership .....	—	70
Other .....	88	41
<b>Total non-operating expenses</b> .....	<b>238</b>	<b>202</b>
<b>Ordinary income</b> .....	<b>13,479</b>	<b>11,005</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities .....	—	3,181
Reversal of allowance for doubtful accounts .....	—	6
Gain on step acquisitions .....	382	—
Compensation income .....	165	—
Other .....	56	92
<b>Total extraordinary income</b> .....	<b>603</b>	<b>3,280</b>
<b>Extraordinary loss</b>		
Loss on retirement of noncurrent assets .....	—	81
Loss on sales of investment securities .....	6	—
Cancellation fee .....	—	70
Loss on adjustment for changes of accounting standard for asset retirement obligations .....	—	361
Other .....	12	187
<b>Total extraordinary losses</b> .....	<b>18</b>	<b>700</b>
<b>Income before income taxes and minority interests</b> ..	<b>14,064</b>	<b>13,584</b>
Income taxes - current .....	4,164	4,829
Income taxes - deferred .....	(982)	(203)
<b>Total income taxes</b> .....	<b>3,182</b>	<b>4,626</b>
<b>Income before minority interests</b> .....	<b>10,881</b>	<b>8,958</b>
<b>Minority interests in income</b> .....	<b>1,549</b>	<b>658</b>
<b>Net income</b> .....	<b>9,331</b>	<b>8,300</b>



### 3. Consolidated Statements of Comprehensive Income

	<i>Millions of Yen</i>	
	Nov 1, 2011 – Oct 31, 2012	Nov 1, 2010 – Oct 31, 2011
Income before minority interests .....	10,881	8,958
Other comprehensive income.....		
Valuation difference on available-for-sale securities .....	(2,930)	(194)
Deferred gains or losses on hedges .....	21	115
Foreign currency translation adjustment .....	(547)	124
Share of other comprehensive income of associates accounted for using equity method .....	(57)	4
Total other comprehensive income .....	(3,514)	49
Comprehensive income .....	7,367	9,008
Comprehensive income attributable to owners of the parent.....	5,759	8,298
Comprehensive income attributable to minority interests .....	1,607	710

#### 4. Consolidated Statements of Changes in Net Assets

*(Millions of Yen)*

	Nov 1, 2011- Oct 31, 2012	Nov 1, 2010- Oct 31, 2011
<b>1. Shareholders' equity</b>		
<b>Capital stock</b>		
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
<b>Capital surplus</b>		
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
<b>Retained earnings</b>		
Balance at the end of previous period	47,658	40,105
Changes of items during the period		
Dividends from surplus	(1,037)	(778)
Net income	9,331	8,300
Change of scope of consolidation	(181)	31
Change of scope of equity method	195	—
Total changes of items during the period	8,307	7,553
Balance at the end of current period	55,966	47,658
<b>Treasury stock</b>		
Balance at the end of previous period	(2,522)	(2,521)
Changes of items during the period		
Purchase of treasury stock	(1)	(0)
Disposal of treasury stock	—	0
Total changes of items during the period	(1)	(0)
Balance at the end of current period	(2,524)	(2,522)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	59,801	52,248
Changes of items during the period		
Dividends from surplus	(1,037)	(778)
Net income	9,331	8,300
Change of scope of consolidation	(181)	31
Change of scope of equity method	195	—
Purchase of treasury stock	(1)	(0)
Disposal of treasury stock	—	0
Total changes of items during the period	8,306	7,552
Balance at the end of current period	68,107	59,801

(Millions of Yen)

	Nov 1, 2011- Oct 31, 2012	Nov 1, 2010- Oct 31, 2011
<b>2. Accumulated other comprehensive income</b>		
<b>Valuation difference on available-for-sale securities</b>		
Balance at the end of previous period	4,364	4,559
Changes of items during the period		
Net changes of items other than s'hldrs' equity	(2,931)	(194)
Total changes of items during the period	(2,931)	(194)
Balance at the end of current period	1,433	4,364
<b>Deferred gains or losses on hedges</b>		
Balance at the end of previous period	(6)	(84)
Changes of items during the period		
Net changes of items other than s'hldrs' equity	23	77
Total changes of items during the period	23	77
Balance at the end of current period	16	(6)
<b>Foreign currency translation adjustment</b>		
Balance at the end of previous period	(1,175)	(1,291)
Changes of items during the period		
Net changes of items other than s'hldrs' equity	(663)	115
Total changes of items during the period	(663)	115
Balance at the end of current period	(1,839)	(1,175)
<b>Total accumulated other comprehensive income</b>		
Balance at the end of previous period	3,182	3,184
Changes of items during the period		
Net changes of items other than s'hldrs' equity	(3,571)	(1)
Total changes of items during the period	(3,571)	(1)
Balance at the end of current period	(389)	3,182
<b>Minority interests</b>		
Balance at the end of previous period	2,605	2,051
Changes of items during the period		
Net changes of items other than s'hldrs' equity	6,439	553
Total changes of items during the period	6,439	553
Balance at the end of current period	9,044	2,605
<b>Total net assets</b>		
Balance at the end of previous period	65,589	57,484
Changes of items during the period		
Dividends from surplus	(1,037)	(778)
Net income	9,331	8,300
Change of scope of consolidation	(181)	31
Change of scope of equity method	195	—
Purchase of treasury stock	(1)	(0)
Disposal of treasury stock	—	0
Net changes of items other than s'hldrs' equity	2,867	551
Total changes of items during the period	11,173	8,104
Balance at the end of current period	76,763	65,589

## 5. Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>	
	Nov 1, 2011 – Oct 31, 2012	Nov 1, 2010 – Oct 31, 2011
<b>I. Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests .....	14,064	13,584
Depreciation and amortization .....	2,384	1,908
Amortization of goodwill .....	197	147
Increase (decrease) in allowance for doubtful accounts .....	69	(4)
Increase (decrease) in provision for bonuses .....	(126)	621
Increase (decrease) in provision for directors' bonuses .....	58	94
Increase (decrease) in provision for retirement benefits .....	319	605
Increase (decrease) in provision for directors' retirement benefits .....	73	14
Increase (decrease) in provision for repairs .....	82	(112)
Interest and dividends income .....	(513)	(492)
Equity in (earnings) losses of affiliates .....	(405)	(186)
Foreign exchange losses (gains) .....	(60)	60
Interest expenses .....	42	15
Loss (gain) on investments in silent partnership .....	—	70
Loss (gain) on sales of investment securities .....	6	(3,181)
Loss on retirement of property, plant and equipment .....	—	79
Loss on adjustment for changes of accounting standard for asset retirement obligations .....	—	361
Other loss (gain) .....	(432)	36
Decrease (increase) in notes and accounts receivable-trade ....	(2,195)	2,146
Decrease (increase) in travel advance payments .....	(2,107)	(3,038)
Decrease (increase) in other assets .....	(583)	(312)
Increase (decrease) in notes and accounts payable-trade .....	83	1,328
Increase (decrease) in accrued consumption taxes .....	(29)	(489)
Increase (decrease) in accrued expenses .....	(18)	61
Increase (decrease) in travel advances received .....	4,796	5,908
Increase (decrease) in other liabilities .....	(75)	1,037
<b>Subtotal .....</b>	<b>15,629</b>	<b>20,266</b>
Interest and dividends income received .....	473	473
Interest expenses paid .....	(43)	(12)
Income taxes (paid) refund .....	(6,481)	(2,262)
<b>Net cash provided by operating activities .....</b>	<b>9,577</b>	<b>18,464</b>

	<i>Millions of Yen</i>	
	Nov 1, 2011 – Oct 31, 2012	Nov 1, 2010 – Oct 31, 2011
<b>II. Net cash provided by (used in) investing activities</b>		
Payments into time deposits .....	(62,884)	(22,719)
Proceeds from withdrawal of time deposits .....	52,570	9,681
Purchase of short-term investment securities .....	(1,399)	(1,250)
Proceeds from redemption of securities .....	1,750	262
Purchase of property, plant and equipment and intangible assets .....	(4,977)	(4,889)
Proceeds from sales of property, plant and equipment and intangible assets .....	15	4
Purchase of investment securities .....	(201)	(330)
Purchase of stocks of subsidiaries and affiliates .....	(2,862)	(1,193)
Proceeds from sales of investment securities .....	4	3,601
Purchase of investments in subsidiaries resulting in change in scope of consolidation .....	(2,059)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation .....	243	—
Payments of loans receivable .....	(944)	(1,489)
Collection of loans receivable .....	2,091	256
Payments for guarantee deposits .....	(770)	(517)
Proceeds from collection of guarantee deposits .....	633	417
Other, net .....	538	18
<b>Net cash used in investing activities .....</b>	<b>(18,250)</b>	<b>(18,147)</b>
<b>III. Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable .....	1,700	—
Decrease in short-term loans payable .....	(357)	—
Proceeds from long-term loans payable .....	100	—
Repayment of long-term loans payable .....	(533)	(983)
Cash dividends paid .....	(1,037)	(778)
Cash dividends paid to minority shareholders .....	(36)	(20)
Other, net .....	(130)	(61)
<b>Net cash used in financing activities .....</b>	<b>(295)</b>	<b>(1,843)</b>
<b>IV. Effect of exchange rate change on cash &amp; cash equivalents .....</b>	<b>(305)</b>	<b>(358)</b>
<b>V. Net increase (decrease) in cash &amp; cash equivalents .....</b>	<b>(9,275)</b>	<b>(1,884)</b>
<b>VI. Cash &amp; cash equivalents at beginning of period .....</b>	<b>44,703</b>	<b>46,340</b>
<b>VII. Increase in cash &amp; cash equivalents from newly consolidated subsidiary .....</b>	<b>392</b>	<b>414</b>
<b>VIII. Increase (decrease) in cash &amp; cash equivalents resulting from change of scope of consolidation .....</b>	<b>—</b>	<b>(166)</b>
<b>IX. Cash &amp; cash equivalents at end of period .....</b>	<b>35,821</b>	<b>44,703</b>

## 6. Segment Information

### Current Fiscal Year ended October 31, 2012

(Millions of Yen)

	Travel Business	Hotel Business	Theme park Business	Transportation Business	Kyushu Sanko Group	Subtotal	Other Businesses	Total	Eliminations & Corporate	Consolidated
Net sales										
(1) Sales to outside customers	407,115	2,613	15,495	127	6,105	431,456	26	431,483	—	431,483
(2) Inter-segment sales / transfers	188	170	461	29	31	883	—	883	(883)	—
Total	407,304	2,784	15,957	157	6,137	432,340	26	432,366	(883)	431,483
Segment incomes (losses)	11,384	(232)	2,639	(1,142)	275	12,925	25	12,950	(1,633)	11,316
Segment assets	79,270	9,202	16,127	3,368	32,762	140,732	826	141,559	31,938	173,497
Others										
Depreciation and amortization	1,224	288	307	207	278	2,306	1	2,307	417	2,724
Investment in equity method affiliates	2,760	—	—	—	—	2,760	310	3,071	—	3,071
Increase in Property, plant and equipment and intangible assets	2,329	87	1,070	1,029	918	5,435	—	5,435	155	5,590

### Previous Fiscal Year ended October 31, 2011

(Millions of Yen)

	Travel Business	Hotel Business	Theme park Business	Transportation Business	Subtotal	Other Businesses	Total	Eliminations & Corporate	Consolidated
Net sales									
(1) Sales to outside customers	365,447	2,169	13,130	30	380,777	27	380,805	—	380,805
(2) Inter-segment sales / transfers	205	67	244	—	517	—	517	(517)	—
Total	365,652	2,236	13,374	30	381,294	27	381,322	(517)	380,805
Segment incomes (losses)	10,022	(25)	989	(1)	10,983	26	11,009	(1,602)	9,407
Segment assets	63,618	8,120	12,015	2,396	86,151	5,936	92,087	46,930	139,018
Others									
Depreciation and amortization	1,037	297	252	22	1,609	1	1,610	289	1,899
Investment in equity method affiliates	81	—	—	—	81	3,277	3,359	—	3,359
Increase in Property, plant and equipment and intangible assets	947	40	787	2,239	4,014	—	4,014	946	4,960