



## **Consolidated Financial Results**

### **For the Fiscal Year Ended October 31, 2014**

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

## Summary of Consolidated Financial Results For the Fiscal Year Ended October 31, 2014

### 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>
Representative Director, President:	Akira Hirabayashi
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Scheduled date of annual shareholders' meeting:	January 29, 2015
Date of Dividend payment:	January 30, 2015
Scheduled date of filing annual report:	January 30, 2015

## 1. Consolidated Financial Results (November 1, 2013 – October 31, 2014)

### (1) Consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2014	%	2013	%
Net Sales .....	523,246	9.1	479,478	11.1
Operating Income.....	15,906	34.3	11,843	4.7
Ordinary Income.....	19,016	25.1	15,203	12.8
Net Income .....	9,050	1.6	8,903	(4.6)
Net Income per Share (yen).....	139.56		137.30	
Net Income per Share, Diluted (yen).....	137.61		—	
Return on Equity (ROE) .....	10.8%		12.1%	
Ordinary Income to Total Assets Ratio .....	7.6%		7.8%	
Operating Income to Net Sales Ratio.....	3.0%		2.5%	
Notes: Comprehensive income:	Full year ended October 31, 2014:		13,040 million yen (-13.2%)	
	Full year ended October 31, 2013:		15,024 million yen (103.9%)	
Notes: Equity of earnings in affiliates:	Full year ended October 31, 2014:		786 million yen	
	Full year ended October 31, 2013:		582 million yen	

The Group conducted a 1:2 stock split on its common shares with the effective date of May 1, 2014. Net Income per Share is calculated under the assumption that the stock split had been conducted at the beginning of the previous fiscal year ended October 31, 2013. Net Income per Share, Diluted for 2013, is not presented since there were no potential shares in the previous fiscal year.

## (2) Consolidated Financial Position

	Millions of Yen	
	As of October 31,	
	2014	2013
Total Assets .....	281,332	215,913
Net Assets .....	102,295	90,680
Shareholders' Equity Ratio .....	31.5%	36.6%
Net Assets per Share (yen) .....	1,366.04	1,219.42

Notes: Shareholders' equity (consolidated): As of October 31, 2014: 88,587 million yen  
 As of October 31, 2013: 79,080 million yen

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

## (3) Consolidated Cash Flows

	Millions of Yen	
	Fiscal Year Ended October 31,	
	2014	2013
Cash Flows from Operating Activities .....	23,701	15,360
Cash Flows from Investing Activities .....	(12,703)	(10,975)
Cash Flows from Financing Activities .....	37,033	16,817
Cash and Cash Equivalents at End of Year .....	110,145	61,426

## 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			
FY2013	0.00	34.00	34.00	1,102	12.4	1.5
FY2014	0.00	18.00	18.00	1,167	12.9	1.4
FY2015 (Forecast)	0.00	22.00	22.00	—	13.5	—

The Group conducted a 1:2 stock split on its common shares with the effective date of May 1, 2014. The dividend forecast for the fiscal year ending October 31, 2014 reflects the stock split.

## 3. Consolidated Forecast for the Fiscal Year Ending October 31, 2015

	Millions of Yen			
	Interim ending April 30, 2015		FY ending October 31, 2015	
	Sales	Profit	Sales	Profit
Net Sales .....	278,300	10.2%	579,700	10.8%
Operating Income .....	10,200	21.7%	19,400	22.0%
Ordinary Income .....	11,100	15.1%	21,400	12.5%
Net Income .....	5,000	14.7%	10,600	17.1%
Net Income per Share (yen) .....	77.10		163.46	

## 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)

(LAGUNA TEN BOSCH Co., Ltd.)

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

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

(3) Number of shares issued (common shares)

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

As of Oct 31, 2014	68,522,936 shares
As of Oct 31, 2013	68,522,936 shares

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

As of Oct 31, 2014	3,673,396 shares
As of Oct 31, 2013	3,671,792 shares

(iii) Average number of shares during the period

As of Oct 31, 2014	64,849,933 shares
As of Oct 31, 2013	64,852,463 shares

*The Group conducted a 1:2 stock split on its common shares with the effective date of May 1, 2014. Number of shares issued (common shares) are calculated under the assumption that the stock split had been conducted at the beginning of the fiscal year ending October 31, 2014.*

## 5. Non-consolidated Financial Results (November 1, 2013 – October 31, 2014)

### (1) Non-consolidated Operating Results

	Millions of Yen			
	Fiscal Year Ended October 31,			
	2014	%	2013	%
Net sales.....	407,835	6.3	383,816	4.3
Operating Income .....	4,715	50.8	3,126	(49.7)
Ordinary Income .....	5,845	37.1	4,262	(37.2)
Net Income .....	3,404	37.0	2,485	(32.8)
Net Income per Share (yen).....	52.50		38.33	
Net Income per Share, Diluted (yen).....	51.73		—	

*The Group conducted a 1:2 stock split on its common shares with the effective date of May 1, 2014. Net Income per Share is calculated under the assumption that the stock split had been conducted at the beginning of the previous fiscal year ended October 31, 2013. Net Income per Share, Diluted for 2013, is not presented since there were no potential shares in the previous fiscal year.*

**(2) Non-consolidated Financial Position**

	Millions of Yen	
	As of October 31,	
	2014	2013
Total Assets .....	194,308	142,744
Net Assets .....	55,377	52,914
Shareholders' Equity Ratio .....	28.5%	37.1%
Net Assets per Share (yen) .....	853.94	815.94

Note: Shareholders' equity: Fiscal year ended October 31, 2014: 55,377 million yen  
Fiscal year ended October 31, 2013: 52,914 million yen

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

**Note on Audit Procedures:**

*This summary of financial statements is out of the scope of the audit procedures which is required by "Financial Instruments and Exchange Act". Therefore, the audit procedures of consolidated financial statements have not been completed as of the disclosure of this report.*

**Disclaimer Regarding Forward-Looking Statements:**

*Forward-looking statements are based on management's assumptions and beliefs in light of information currently available and involve uncertainties that may affect forecasts. Actual results may differ materially from these forecasts due to various factors. Please refer to page 8 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, demand for overseas travel departing Japan remained firm overall, with an expansion of international flights at Haneda Airport in Tokyo acting as a positive factor, despite concerns about the international situation and outbreaks of infectious diseases. In domestic travel, demand for leisure travel continued strong with the background of sufficient travel materials, including LCC route expansion and World heritage sites. Turning to foreign travelers visiting Japan, demand expanded with loosened visa requirements for travelers from Southeast Asian countries, and a sense of undervalue resulting from the weak yen trend. Additionally, the number of travelers from China significantly recovered. According to the Japan National Tourist Organization (JNTO), the estimated number of foreign travelers visiting Japan for the 10 months from January 2014 through October 2014 is forecast to break the record set in 2013.

Under these business conditions, the Group continues to stand on the concept of 'security' and 'safety', and strives to improve on its standards of 'service' and 'quality' in order to further gain support from our customers, and has therefore implemented a range of original measures to expand its business globally.

#### **- Travel Business**

As of the end of October 2014, the Group has a network of sales domestically in 296 branches (an increase of 22 branches from the previous fiscal year) and globally in 60 countries, 124 cities and 180 branches (an increase of 22 branches from the previous fiscal year), and continues to expand towards the goal of 1,000 branches worldwide.

In overseas travel departing Japan, the Group has taken advantage of its overseas branch network and implemented original measures, including proposals of new travel destinations such as Morocco; deployment of high value-added products such as chartered plans to enjoy popular destinations; the launch of "travel concierge", which provides personal assistance in the field; and the development of the original package "Starry sky BBQ at Hilton" which charts the hotel pool side in Hawaii and offers a barbecue or a range of entertainment.

As for sales channels, the Group launched a new "Osaka Station Hawaii branch", a specialty outlet for Hawaii, and began delivering highly-professional services, as well as opening sales branches in shopping malls with emphasis on production efficiency. As for initiatives in the area of online sales, we enabled simultaneous reservation for optional tours on our "air ticket and hotel" website. We also launched customer services by use of SNS including LINE, and strived to further improve convenience by making full use of evolving IT technology.

Our group travel activity was strong due to the increase in orders for large scale group travel, including hosting of now a regular Honolulu Road Race, overseas concert tours, and corporate incentive travels; and educational trips in each region. Our corporate travel, or business travel, was strong as well, delivering global

support by taking advantage of our overseas branches.

In the domestic travel business, we continue to commit on "landing-based business" which allows us to promptly provide our customers with new information and products, only available locally. In Okinawa, we offered original products and services, including a dedicated shuttle bus and a deserted island experience. Additionally, we have extended our popular bus tours with new arrival and departure stops in Chiba, Kanagawa and Saitama prefectures among others, as well as expanding sales channels at all branches, as was previously at specialist branches in Japan. As a result of these measures, the Group continues to grow at the level exceeding that of the market in the volume of travel by major travel agencies, compiled by the Tourism Authority a year earlier.

As for foreign travelers visiting Japan, we enhanced collaboration with overseas branches in terms of product development and transmitting visitors, e.g. in receiving an increasing number of travelers from Southeast Asian countries with loosened visa requirements, including Thailand and Indonesia, and travelers from Australia for the purpose of skiing. For the Chinese market which renewed the record high in the number of travelers visiting Japan, we worked to enhance our system in receiving travelers by creating routes other than "Golden Route" and providing airport shuttle buses in order to meet varying needs.

Turning to business overseas, we have promoted operations in multi branches mainly in Southeast Asia, and increased the number of branches to 22 in Thailand, 14 in Indonesia, and 9 in Vietnam. We will further strengthen our promotional activities for local customers and raise our brand recognition. Moreover, we connected our domestic reservation website "Sumayado" with "hisgo", an online reservation website, operating in 39 countries, and strengthened our effort to promote visitors to Japan both domestically and overseas. In our inbound travel business including overseas arrangements, we are acting as wholesalers to other travel agencies, so that we can offer them the services and facilities of overseas branches, and thus strived to enhance synergistic effect through collaboration between overseas and Japanese branches in each business.

As a result of these measures, the travel business for the current fiscal year recorded net sales of 468,551 million yen, an increase of 8.6% compared with the previous fiscal year. This contributed to an increase in our share in the volume of travel by major travel agencies, compiled by the Tourism Authority. The Group recorded an operating income of 10,309 million yen, an increase of 29.6% compared with the previous fiscal year, and achieved the increases both in sales and profit.

#### **- Theme Park Business**

HUIS TEN BOSCH Co. Ltd. continues to focus on the implementation of events which are intended to appeal the attraction of the theme park and improve customer satisfaction. From a day to night, various events contributed to an increase in number of visitors, such as the "Kingdom of Flowers" including the "Tulip Festival", for which 650 varieties of tulips were planted, the most seen in Japan; the "The Kingdom of Light Series", an extravaganza of over 10 million bulbs; "The Kingdom of Music and Show" which takes place throughout the park; and the "Fireworks" in each season. In summer, such events as "The Kingdom of Game" for families and

the renewal of "Fuwafuwa Land" for children at Adventure Park have been well received, beating our performance in the previous year. Moreover, we implemented "Osaka Castle 3D Mapping Super Illumination", the first measure taking place outside of the theme park, which was also very well received.

As a result, the Group recorded net sales of 26,233 million yen, an increase of 27.7% compared with the previous fiscal year; and an operating income of 7,718 million yen, an increase of 53.9% compared with the previous fiscal year. Starting from August 1, 2014, LAGUNA TEN BOSCH succeeded and operates three "LAGUNA GAMAGORI" businesses in Gamagori, Aichi prefecture.

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

		<i>Millions of Yen</i>			
		Previous FY (Oct 1, 2012 – Sept 30, 2013)	Current FY (Oct 1, 2013 – Sept 30, 2014)	Y-Y Change (%)	Y-Y Change
Number of Visitors (Foreign Visitors) (Thousand persons).....		2,477 (183)	2,794 (219)	112.8% (119.4%)	316 (35)
Net Sales .....		21,629	26,255	121.4%	4,625
Operating Income.....		4,848	7,364	151.9%	2,516
Ordinary Income.....		5,730	8,325	145.2%	2,594
Net Income.....		5,358	5,204	97.1%	(154)

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

#### **- Hotel Business**

The Group strived to deploy the original value-added services and improve customer satisfaction. For instance, at the Guam Reef & Olive Spa Resort, we opened a private beach; and in the Watermark Hotel Sapporo, we enhanced popular travel packages which come with souvenirs unique to Hokkaido. Consequently, the Group achieved a surplus, with net sales of 5,413 million yen, an increase of 20.9% compared with the previous fiscal year and an operating income of 260 million yen, compared with an operating loss of 118 million yen a year earlier. The Group also plans to open a new hotel in Bali, Indonesia in the summer of 2015.

#### **- Transportation Business**

ASIA ATLANTIC AIRLINES CO., LTD., an international charter carrier, began operation on a route from Suvarnabhumi Airport, Bangkok to Narita International Airport in August, 2013, and launched a direct flight to Cambodia during the Golden week this year. Despite our effort to improve safety and on-time performance, the prolonged political unrest in Thailand hurt our business and the Group recorded net sales of 3,255 million yen, and an operating loss of 1,792 million yen, compared with an operating loss of 1,065 million yen a year earlier.

#### **- Kyushu Sanko Group**

KYUSHU INDUSTRIAL TRANSPORTATION Group worked to provide customer orientated services and dedicate to the regional development, by implementing a new vehicle complete with safety equipment in



response to a new eco-friendly emission standard, and launching a multi-display "Aso Super Ring" facility, in conjunction with the largest topographical model in Japan. As a result, the Group recorded net sales of 25,175 million yen, a decrease of 0.4% compared with the previous fiscal year and an operating income of 1,259 million yen, a decrease of 9.7% compared with the previous fiscal year, due to the surge in fuel prices, among others.

As a result of these measures, the Group achieved record results for the fourth consecutive year with consolidated net sales of 523,246 million yen, an increase of 9.1% compared with the previous fiscal year; an operating income of 15,906 million yen, an increase of 34.3% compared with the previous fiscal year; and an ordinary income of 19,016 million yen, an increase of 25.1% compared with the previous fiscal year. Net income was 9,050 million yen, an increase of 1.6% from a year earlier, with an increase in tax expenses due to the elimination of tax loss carryforwards for HUIS TEN BOSCH Co. Ltd.

The amount includes inter-segment transactions.

## **(2) Forecast for the Next Full Year Ending October 2015**

The global economic environment will likely remain uncertain, and there are factors which could affect the travel business, including the changing currency landscape and the global spread of infectious diseases. However, the travel business gradually takes an upturn, with an expansion of international flights at Haneda Airport in Tokyo and an increase in number of foreign travelers from Southeast Asian countries and China, among others. On the other hand, the competition surrounding the travel market gets fiercer, with direct sales, evolving global online travel agencies, and emerging companies which offer a new travel-related service with the advancement of technology, so it is ever more important to keep a close eye on market trends.

Under these business conditions, we will strive to improve our performance by leveraging our local network we have established, providing new services ahead of time in the global market, creating new value, and providing further customer satisfaction and safety.

HUIS TEN BOSCH Co. Ltd. focuses on events of only one or No. 1 value, and further evolves the "Kingdom of Flowers", "The Kingdom of Light Series", "The Kingdom of Music and Show" and "The Kingdom of Game" so that we can beat the expectation of our customers, who have visited the theme park before. Moreover, we plan to launch "The Kingdom of Health" and meet the needs of our health conscious customers. Furthermore, we will open "Smart Hotel" of the World's highest productivity standard, and continue to take up new challenges in businesses other than theme park, including the development of service robots.

As a result of these measures, the Group expects the performance for the next fiscal year to exceed that of the current fiscal year.

## **2. Allocation of profits**

### **(1) Basic approach to allocation of profits**

Returning profits to shareholders is one of the H.I.S. Group's key management issues. The Group aims to maximize Group enterprise value, and at the same time pay stable and continuous dividends based on the Group'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, political uncertainty, natural disasters 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 Group plans to pay a year-end dividend of 18 yen per share. As for the dividend for the next fiscal year, the Group plans to pay an annual common dividend of 22 yen per share to ensure sustainable and stable profit sharing, while working to increase the dividend. However, the Group 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 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.

These matters regarding forward-looking information described in this section are based on management's judgments as of December 5, 2014 when the financial results were announced, and the business and other types of risks are not confined to these.

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

The travel business comprises 89.5% of group sales by segment; sales by region are also concentrated in Japan, at 92.5%. Changes in the environment for the travel business in Japan therefore have the potential to affect the Group's financial position and operating results among others.

## **(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 76.2% of group sales, and overseas travel comprised 89.4% 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 Group's financial position and operating results.

## **(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 57.1% of the total (or 36.0% of sales). Changes in the external environment at these destinations, such as terrorism, outbreaks of contagious diseases, or natural disasters, could affect the Group's financial position and operating results. 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 travel business continues to face fierce competition with travel agencies, both in Japan and overseas, as well as suppliers which push for direct sales. The Group's financial position and operating results 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 the Group's financial position and operating results.

## **(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 position 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 position and operating results.

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 position and operating results, should there be fluctuation in exchange rates.

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

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 Group's financial position and operating results.

#### **(9) Flight operations**

If an aviation accident were to occur by the flight operated by the Group, various issues will arise including losing credibility with customers; damaged reputation; slump in demand for air travel; and claims for damage during flight operations. This could affect the Group's financial position and operating results. Likewise, if an accident by flights operated by other companies were to happen, the demand for air travel will likely slump. This could also affect the Group's financial position and operating results.

#### **(10) Food safety**

The Group developed its standard for arrangement, mediation and quality control for planned tours and optional tours, and carefully selects restaurants. Additionally, the Group business segments include operating restaurants, and the Group pays sufficient attention to food safety as well. Amid rising concerns about food safety, the occurrence of health problems such as food poisoning could cause the Group's reputation, and affect its financial position and operating results.

#### **(11) Affect of weather**

The Group operates HUIS TEN BOSCH in Sasebo, Nagasaki prefecture and LAGUNASIA in Gamagori, Aichi prefecture in the theme parks business. As a nature of the business, the number of visitors is expected to decline temporarily if there has been prolonged bad weather including typhoon and torrential rainfall. This could affect the Group's financial position and operating results.

#### **(12) System failure**

The Group depends on its operations including reservation arrangements on its systems. If there occurs a critical failure in communication networks or programs, or a problem caused by a computer virus and others, this could gravely affect the Group's operations. Depending on the scale of the system failure, the Group's financial position and operating results could be affected, causing an interruption of services to our customers and an increase in repair costs.

#### **(13) Personal information**

The Group retains personal information in each business segment. Pursuant to the Japanese law concerning the protection of personal information, the Group has established Privacy Policy to ensure appropriate handling and protection of personal information. If a large-scale data leak were to happen for some reasons, this could cause the Group's reputation and damage claims, and negatively impact the Group's financial position and operating results.

#### (14) 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. This could affect the Group's financial position and operating results.

## II. Current State of the H.I.S. Group

H.I.S. Group (H.I.S. Co., Ltd. and its group companies) comprises H.I.S. Co., Ltd., 95 subsidiaries and 11 affiliated companies. The main businesses of the principal subsidiaries are outlined in the following tables, which are organized by the business categories used in segment information.

### (1) Travel Business

The H.I.S. Group businesses undertake domestic and overseas travel and other ancillary businesses.

#### Group Companies

HAWAII HIS CORPORATION H.I.S. INTERNATIONAL TOURS (NY) INC. H.I.S. GUAM, INC. H.I.S. CANADA INC. HIS SAIPAN INC H.I.S. KOREA CO., LTD. H.I.S. Tours Co., Ltd. PT. HARUM INDAH SARI TOURS & TRAVEL HIS (HONG KONG) COMPANY LIMITED H.I.S. TAIWAN COMPANY LIMITED H.I.S. INTERNATIONAL TRAVEL PTE LTD H.I.S. AUSTRALIA PTY. LTD. H.I.S. EUROPE LIMITED H.I.S. INTERNATIONAL TOURS FRANCE SARL	H.I.S. Deutschland Touristik GmbH H.I.S. EUROPE ITALY S.R.L. HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI GM COMMUNICATIONS LIMITED (Miki Travel Limited) Orion Tour Co., Ltd. QUALITA Co., Ltd. Ohshu Express Ltd TOUR WAVE CO., LTD Japan Holiday Travel CO., LTD Cruise Planet Co., Ltd. AGT Co., Ltd. (Advanced Global Transport) and 43 other companies
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### (2) Hotel Business

The Group operates hotel and other ancillary businesses in Australia, Guam and Japan.

#### Group Companies

H.I.S. AUSTRALIA HOLDINGS PTY LTD H.I.S. INVESTMENTS PTY LTD THE WATERMARK HOTEL GROUP PTY LTD WHG INVESTMENTS BRISBANE PTY LTD L'MARK PTY LTD	WATERMARK HOTEL JAPAN CO., LTD The Watermark Hotel Nagasaki Co., Ltd. GUAM REEF HOTEL, INC. and 2 other companies
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### (3) Theme Park Business

The Group owns and operates the theme parks located in Sasebo, Nagasaki prefecture and Gamagori, Aichi prefecture. The Group's newly established LAGUNA TEN BOSCH Co., Ltd. was consolidated into a subsidiary and included in the theme park business.

#### Group Companies

Huis Ten Bosch Co., Ltd. Huis Ten Bosch Technical Center Co., Ltd. HTB Tourism Co., Ltd.	LAGUNA TEN BOSCH Co., LTD. and 1 other company
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**(4) Transportation Business**

The Group operates passenger route, including international charters, and other ancillary businesses.

**Group Companies**

ASIA ATLANTIC AIRLINES CO., LTD. HTB CRUISE Co., Ltd.	TEN BOSCH CRUISE PANAMA S.A. and 1 other company
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**(5) Kyushu Sanko Group**

KYUSHU INDUSTRIAL TRANSPORTATION Group, a holding company of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., operates automobile transportation, real estate rent and other businesses.

**Group Companies**

KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. Kyushu Sanko Bus Co., Ltd. Kyushu Sanko Tourism Co.,Ltd. Kyushu Sanko LandMark Co.,Ltd. Kumamoto Ferry Co.,Ltd.	Sanko Bus Co., Ltd. Kyushu Sanko Seibi Co.,Ltd. Kyushu Sanko Kanko Co., Ltd.  and 3 other companies
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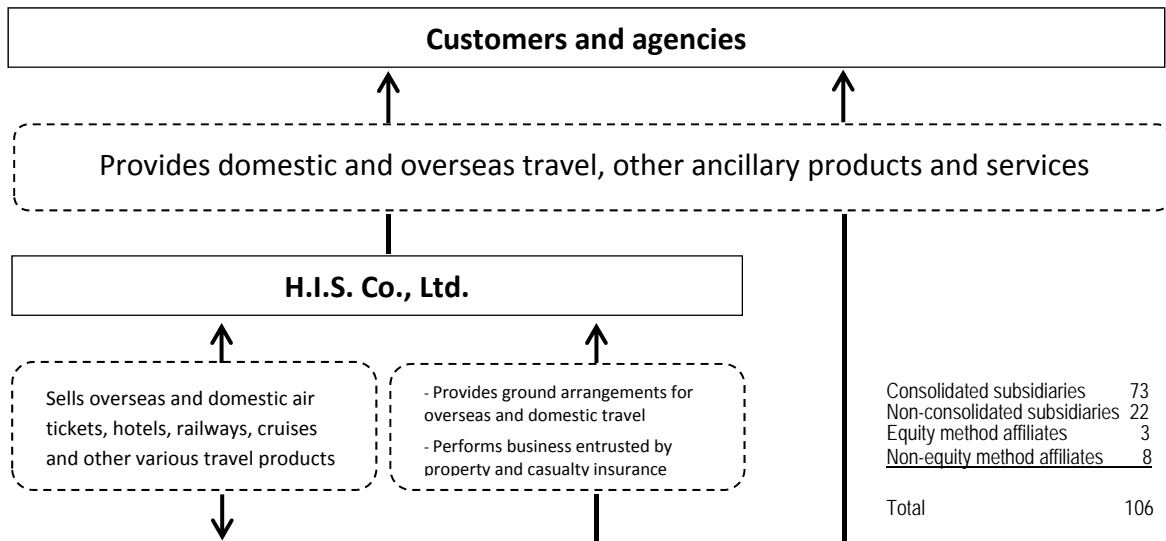
**(6) Other businesses**

H.S. Insurance Planning Co., Ltd., handles property and casualty insurance, mainly for overseas travel.

**Group Companies**

H.S. INSURANCE PLANNING Co., Ltd.	and 7 other companies
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The following table illustrates the Group's operating relationships.



<b>H.I.S. Group</b>	
<b>Travel Business</b>	
HAWAII HIS CORPORATION H.I.S. INTERNATIONAL TOURS (NY) INC. H.I.S. GUAM, INC. H.I.S. CANADA INC. HIS SAIPAN INC H.I.S. KOREA CO., LTD. H.I.S. Tours Co., Ltd. PT. HARUM INDAH SARI TOURS & TRAVEL HIS (HONG KONG) COMPANY LIMITED H.I.S. TAIWAN COMPANY LIMITED H.I.S. INTERNATIONAL TRAVEL PTE LTD H.I.S. AUSTRALIA PTY. LTD. H.I.S. EUROPE LIMITED	H.I.S. INTERNATIONAL TOURS FRANCE SARL H.I.S. Deutschland Touristik GmbH H.I.S. EUROPE ITALY S.R.L. HIS ULUSLARARASI TURIZM SEYAHAT ACENTASI LIMITED SIRKETI GM COMMUNICATIONS LIMITED (Miki Travel Limited) Orion Tour Co., Ltd. QUALITA Co., Ltd. Ohshu Express Ltd TOUR WAVE CO., LTD Japan Holiday Travel CO., LTD Cruise Planet Co., Ltd. AGT Co., Ltd. (Advanced Global Transport) and 43 other companies
<b>Hotel Business</b>	
H.I.S. AUSTRALIA HOLDINGS PTY LTD H.I.S. INVESTMENTS PTY LTD THE WATERMARK HOTEL GROUP PTY LTD WHG INVESTMENTS BRISBANE PTY LTD L'MARK PTY LTD	WATERMARK HOTEL JAPAN CO., LTD The Watermark Hotel Nagasaki Co., Ltd. GUAM REEF HOTEL, INC. and 2 other companies
<b>Theme Park Business</b>	
Huis Ten Bosch Co., Ltd. Huis Ten Bosch Technical Center Co., Ltd. HTB Tourism Co., Ltd.	LAGUNA TEN BOSCH Co., LTD. and 1 other company
<b>Transportation Business</b>	
ASIA ATLANTIC AIRLINES CO., LTD. HTB CRUISE Co., Ltd.	TEN BOSCH CRUISE PANAMA S.A and 1 other company
<b>Kyushu Sanko Group</b>	
KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. Kyushu Sanko Bus Co., Ltd. Kyushu Sanko Tourism Co.,Ltd. Kyushu Sanko LandMark Co.,Ltd. Kumamoto Ferry Co.,Ltd.	Sanko Bus Co., Ltd. Kyushu Sanko Seibi Co.,Ltd. Kyushu Sanko Kanko Co., Ltd. and 3 other companies
<b>Other businesses</b>	
H.S. INSURANCE PLANNING Co., Ltd.	and 7 other companies

### **III. Management Policy**

#### **1. Basic management policy**

Under the corporate philosophy of "Through tourism, we contribute to the advance of world peace and mutual understanding by increasing the knowledge of people in the world, getting over the differences of nationality, race, culture and religion," the Group aims to be a futuristic creative corporate group which contributes to the development of humanity and the world peace through our travel services, by providing our customers with excitement and emotional experience and activating mutual exchange.

#### **2. Management goals and indicators**

The Group strives to realize continued growth and improve profitability in order to build a strong position in the travel business in Japan and Asia. The Group places emphasis on main indicators which measure customers' support, including the number of travelers and our share in the volume of travel, as well as the Group's net sales, operating income, ordinary income and their growth rates in each business.

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

The Group concentrates its management resources on the travel related business, and aims to establish competitive advantage in the Global market.

Details are provided below.

- **Enhancing services which meet functional needs and providing further excitement and emotional experience**

The Group strives to improve customer convenience and enhance customers' contacts by deploying branches in anticipation of new demand development, and increase customer attraction through various sales measures taking advantage of each sales channel, while focusing on productivity and efficiency. The Group also advances development of a new service which meets functional needs of "cheaper, more convenient and faster" by making full use of evolving IT technology. With the aim of evolving value in terms of emotions, the essence of travel, the Group strives to realize free independent travels which can be enjoyed with the peace of mind, making use of its global network, and its abilities of purchasing, planning and arrangement. The Group further focuses on the originality of the planned travel products and provides its customers with more exciting travel plan which enables them getting in touch with the world and emotional experience unknown to them.

- **Maximizing group synergy**

As for travel business overseas, the Group focuses on the growing Southeast Asia region, especially Thailand, Indonesia and Vietnam, and accelerates business development targeting customers in each country. The Group also works to strengthen its BtoB business, acting as wholesalers to other travel agencies, so that we can offer them the materials and services of overseas branches; and transmitting passengers between overseas stations. Moreover, the Group works to enhance synergistic effect through collaboration in an



expanding business of foreign travelers visiting Japan and strives to become a global travel agency which is trusted and supported worldwide. In preparation of rapidly expanding travel demand in Asia, the Group aims to expand its business by maintaining a stable supply of airline tickets and hotel rooms to avoid short supply, and by organizing the system in order to offer its original travel products. Our customers can expect to receive a consistent high-quality service, from travel reservation to transportation, local guides and accommodation at their destinations.

- **Leap for HUIS TEN BOSCH**

The Group focuses on events of only one or No. 1 value that can be experienced only in HUIS TEN BOSCH, and offers its customers an ever-more impressive and surprising experience beyond expectation. Furthermore, we will continue to take up new challenges in businesses other than theme park, including building and operating "Smart Hotel" of the World's highest productivity standard; solar-power business and the development of service robots.

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

The competition surrounding the travel market gets fiercer, with evolving global online travel agencies, direct sales and emerging companies which offer a new travel-related service. Under these conditions, the following are the major issues to be dealt with by the Group:

- **Improving on safety, security, service and quality**

As a travel company, the Group recognizes that it is of utmost importance to offer a safe and comfortable journey that our customers can enjoy, in order to win their support, and continues to improve on its standard of safety, security, service and quality. As a part of this effort, the Group reinforces cooperation with overseas branches; actively conducts safety study for local hotels and destinations; immediately reflects the feedback from our customers and local guides to our purchasing and planning; and strives to offer safe, secured, and high quality products and information. Additionally, the Group works to standardize and improve the level of its service, both in Japan and overseas, and provide a consistent service, from "before departure" to "after returning home", for our customer satisfaction and support.

- **Creating new value taking advantage of its global network**

The Group will enhance its ability in arrangement and dispatching information taking advantage of its global network and group synergies; pursue convenience and realize competitive prices. The Group will also create new value by establishing the line of its travel products and fulfilling services, so that we can provide our customers with the sense of excitement before departures; impressive experience beyond expectation at their destinations; and memories and the wonders of travel.

- **Evolution and futuristic creativity ahead of time**

In global travel market, the emergence of new faces into the market is noticeable, including evolving global online travel agencies and emerging companies in a different industry which offer a new service in addition to the existing major travel agencies. Above all, a range of internet based services continue to evolve non-stop. The Group recognizes the importance of taking a competitive edge by grasping the situation and taking rapid action in order to become a pioneer in the travel industry. In anticipation of the future, we will further improve customer satisfaction, respond to evolving IT technology, continue to have flexible and innovative ideas perceiving changes and looking ahead, and take up the challenge of unknown travel experiences in the online market.

## **5. Other important matters in company management**

None

## IV. Consolidated Financial Statements

### 1. Consolidated Balance Sheets

	<i>Millions of Yen</i>	
	As of Oct 31, 2014	As of Oct 31, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits .....	136,230	83,211
Accounts receivable-trade .....	15,496	13,897
Operating accounts receivable .....	7,386	6,737
Securities .....	1,486	2,699
Travel advance payments .....	23,296	21,588
Prepaid expenses .....	1,884	1,721
Deferred tax assets .....	2,054	1,749
Short-term loans receivable .....	1,135	38
Short-term loans receivable from subs.and associates....	617	85
Accounts receivable-other .....	2,021	2,222
Other .....	5,261	3,666
Allowance for doubtful accounts.....	(80)	(102)
<b>Total current assets .....</b>	<b>196,789</b>	<b>137,515</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings .....	36,923	35,064
Accumulated depreciation .....	(24,143)	(22,922)
Buildings, net.....	12,780	12,142
Tools, furniture and fixtures.....	10,983	9,629
Accumulated depreciation .....	(7,645)	(6,736)
Tools, furniture and fixtures, net.....	3,338	2,893
Vessels .....	4,738	4,685
Accumulated depreciation .....	(809)	(770)
Vessels, net.....	3,928	3,914
Land.....	22,556	21,191
Lease assets.....	3,897	3,261
Accumulated depreciation .....	(1,479)	(1,184)
Lease assets, net .....	2,418	2,077
Other.....	11,424	11,028
Accumulated depreciation .....	(7,742)	(7,736)
Other, net .....	3,681	3,292
<b>Total property, plant and equipment.....</b>	<b>48,704</b>	<b>45,511</b>
<b>Intangible assets .....</b>	<b>4,552</b>	<b>4,560</b>
<b>Investments and other assets</b>		
Investment securities .....	13,643	13,639
Shares of subsidiaries and associates .....	7,438	4,911
Investments in capital of subs. and associates .....	65	55
Long-term loans receivable.....	159	1,162
Long-term loans receivable from subs. and associates ...	136	39
Deferred tax assets .....	2,946	2,091
Guarantee deposits.....	6,044	5,964
Other .....	892	553
Allowance for doubtful accounts.....	(223)	(165)
<b>Total investments and other assets.....</b>	<b>31,103</b>	<b>28,252</b>
<b>Total non-current assets.....</b>	<b>84,360</b>	<b>78,324</b>
Deferred assets.....	181	74
<b>Total assets .....</b>	<b>281,332</b>	<b>215,913</b>

	Millions of Yen	
	As of Oct 31, 2014	As of Oct 31, 2013
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable .....	22,181	20,168
Short-term loans payable .....	1,350	2,100
Current portion of long-term loans payable .....	1,551	1,547
Accounts payable-other .....	2,947	2,354
Accrued expenses.....	2,588	2,233
Income taxes payable .....	6,956	1,819
Accrued consumption taxes .....	833	442
Travel advance received.....	50,542	47,398
Lease obligations .....	758	812
Provision for bonuses.....	2,968	1,630
Provision for directors' bonuses .....	141	73
Other .....	5,564	4,877
<b>Total current liabilities.....</b>	<b>98,384</b>	<b>85,459</b>
<b>Non-current liabilities</b>		
Bonds payable .....	20,000	—
Convertible bond-type bonds with subscription rights to shares .....	20,193	—
Long-term loans payable.....	22,780	23,411
Deferred tax liabilities.....	4,880	4,958
Provision for retirement benefits .....	—	5,650
Net defined benefit liability .....	6,945	—
Provision for directors' retirement benefits .....	737	670
Provision for repairs .....	1,433	1,549
Lease obligations .....	2,133	1,761
Other .....	1,547	1,772
<b>Total non-current liabilities .....</b>	<b>80,652</b>	<b>39,773</b>
<b>Total liabilities .....</b>	<b>179,036</b>	<b>125,233</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock .....	6,882	6,882
Capital surplus .....	7,782	7,782
Retained earnings.....	71,612	63,664
Treasury shares .....	(2,533)	(2,529)
<b>Total shareholders' equity .....</b>	<b>83,743</b>	<b>75,800</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities .....	324	951
Deferred gains or losses on hedges.....	790	(19)
Foreign currency translation adjustment .....	3,902	2,348
Remeasurements of defined benefit plans.....	(173)	—
<b>Total accumulated other comprehensive income .....</b>	<b>4,843</b>	<b>3,280</b>
Minority interests .....	13,708	11,599
<b>Total net assets.....</b>	<b>102,295</b>	<b>90,680</b>
<b>Total liabilities and net assets .....</b>	<b>281,332</b>	<b>215,913</b>

## 2. Consolidated Statements of Income

	<i>Millions of Yen</i>	
	Nov 1, 2013 – Oct 31, 2014	Nov 1, 2012 – Oct 31, 2013
<b>Net sales</b> .....	523,246	479,478
Cost of sales .....	427,306	397,681
Gross profit.....	95,939	81,797
Selling, general and administrative expenses .....	80,033	69,953
Operating income .....	15,906	11,843
<b>Non-operating income</b>		
Interest income .....	639	529
Foreign exchange gains.....	784	1,111
Share of profit of entities accounted for using equity method .....	786	582
Subsidy income.....	782	823
Other .....	822	621
Total non-operating income.....	3,816	3,668
<b>Non-operating expenses</b>		
Interest expenses.....	171	146
Other .....	534	162
Total non-operating expenses.....	705	308
Ordinary income .....	19,016	15,203
<b>Extraordinary income</b>		
Compensation income .....	—	35
Other .....	—	55
Total extraordinary income.....	—	90
<b>Extraordinary losses</b>		
Other .....	—	66
Total extraordinary losses .....	—	66
<b>Income before income taxes and minority interests</b> .....	<b>19,016</b>	<b>15,226</b>
Income taxes - current.....	8,905	3,586
Income taxes - deferred .....	(1,160)	449
Total income taxes .....	7,744	4,036
<b>Income before minority interests</b> .....	<b>11,271</b>	<b>11,190</b>
<b>Minority interests in income</b> .....	<b>2,221</b>	<b>2,287</b>
<b>Net income</b> .....	<b>9,050</b>	<b>8,903</b>

### 3. Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>	
	Nov 1, 2013 – Oct 31, 2014	Nov 1, 2012 – Oct 31, 2013
<b>I. Cash flows from operating activities</b>		
Income before income taxes and minority interests .....	19,016	15,226
Depreciation and amortization .....	5,038	4,306
Amortization of goodwill .....	244	307
Increase (decrease) in allowance for doubtful accounts .....	33	3
Increase (decrease) in provision for bonuses .....	1,307	(1,939)
Increase (decrease) in provision for directors' bonuses .....	66	(149)
Increase (decrease) in provision for retirement benefits .....	—	375
Increase (decrease) in net defined benefit liability .....	867	—
Increase (decrease) in provision for directors' retirement benefits .....	65	77
Increase (decrease) in provision for repairs .....	(86)	(181)
Interest and dividends income .....	(649)	(568)
Share of (profit) loss of entities accounted for using equity method .....	(786)	(582)
Foreign exchange losses (gains) .....	(599)	(1,309)
Interest expenses .....	171	146
Other loss (gain) .....	(173)	(93)
Decrease (increase) in notes and accounts receivable-trade ....	(1,971)	(1,913)
Decrease (increase) in travel advance payments .....	(1,601)	(3,595)
Decrease (increase) in other assets .....	(728)	(283)
Increase (decrease) in notes and accounts payable-trade .....	1,757	1,927
Increase (decrease) in accrued consumption taxes .....	385	153
Increase (decrease) in accrued expenses .....	332	(92)
Increase (decrease) in travel advances received .....	3,012	7,397
Increase (decrease) in other liabilities .....	852	(28)
<b>Subtotal .....</b>	<b>26,554</b>	<b>19,183</b>
Interest and dividends income received .....	666	604
Interest expenses paid .....	(164)	(133)
Income taxes (paid) refund .....	(3,355)	(4,294)
<b>Net cash provided by (used in) operating activities .....</b>	<b>23,701</b>	<b>15,360</b>

	Millions of Yen	
	Nov 1, 2013 – Oct 31, 2014	Nov 1, 2012 – Oct 31, 2013
<b>II. Cash flows from investing activities</b>		
Payments into time deposits .....	(36,557)	(40,251)
Proceeds from withdrawal of time deposits .....	32,469	48,878
Purchase of securities .....	(4,478)	(2,400)
Proceeds from redemption of securities .....	5,600	1,765
Purchase of property, plant and equipment and intangible assets .....	(6,423)	(7,794)
Purchase of investment securities .....	(1,367)	(10,158)
Purchase of shares of subsidiaries and associates .....	(1,707)	(1,343)
Proceeds from sales of investment securities .....	828	199
Payments of loans receivable .....	(639)	(93)
Collection of loans receivable .....	45	47
Payments for guarantee deposits .....	(761)	(1,133)
Proceeds from collection of guarantee deposits .....	615	782
Other, net .....	(327)	524
<b>Net cash provided by (used in) investing activities .....</b>	<b>(12,703)</b>	<b>(10,975)</b>
<b>III. Cash flows from financing activities</b>		
Increase in short-term loans payable .....	16,045	2,030
Decrease in short-term loans payable .....	(16,795)	(2,230)
Proceeds from long-term loans payable .....	930	20,205
Repayments of long-term loans payable .....	(1,557)	(1,538)
Cash dividends paid .....	(1,102)	(1,102)
Proceeds from issuance of bonds .....	19,908	—
Proceeds from issuance of bonds with subscription rights to shares .....	20,166	—
Cash dividends paid to minority shareholders .....	(16)	(11)
Other, net .....	(544)	(534)
<b>Net cash provided by (used in) financing activities .....</b>	<b>37,033</b>	<b>16,817</b>
<b>IV. Effect of exchange rate change on cash and cash equivalents .....</b>	<b>687</b>	<b>2,303</b>
<b>V. Net increase (decrease) in cash and cash equivalents .....</b>	<b>48,719</b>	<b>23,505</b>
<b>VI. Cash and cash equivalents at beginning of period .....</b>	<b>61,426</b>	<b>35,821</b>
<b>VII. Increase in cash and cash equivalents from newly consolidated subsidiary .....</b>	<b>—</b>	<b>2,099</b>
<b>VIII. Cash and cash equivalents at end of period .....</b>	<b>110,145</b>	<b>61,426</b>

## Segment Information

### Information on net sales, incomes or losses, assets, debts and other items

#### Current Fiscal Year ended October 31, 2014 (November 1, 2013 – October 31, 2014)

(Millions of Yen)

	Reported Segment						Other Businesses *1	Total	Eliminations & Corporate *2	Consolidated *3
	Travel Business	Hotel Business	Theme Park Business	Transportation Business	Kyushu Sanko Group	Subtotal				
Net sales										
(1) Sales to outside customers	468,263	4,329	24,857	704	25,062	523,218	27	523,246	—	523,246
(2) Inter-segment sales / transfers	288	1,083	1,376	2,551	112	5,411	—	5,411	(5,411)	—
Total	468,551	5,413	26,233	3,255	25,175	528,630	27	528,657	(5,411)	523,246
Segment incomes (losses)	10,309	260	7,718	(1,792)	1,259	17,756	26	17,782	(1,876)	15,906
Segment assets	143,299	12,990	32,406	5,517	33,850	228,064	962	229,026	52,305	281,332
Others										
Depreciation and amortization	1,908	587	654	213	1,097	4,461	0	4,462	516	4,978
Investment in equity method affiliates	5,117	—	—	—	—	5,117	350	5,467	—	5,467
Increase in Property, plant and equipment and intangible assets	2,545	577	2,568	45	2,217	7,954	191	8,145	319	8,464

Notes:

1. Other Businesses refer to the business segment not included in the reported segment, including real estate businesses among others.
2. The details of Eliminations & Corporate are as follows:
  - (1) Segment incomes (losses) of (1,876) million yen are corporate-wide expenses not included in each reported segment and refer to administrative expenses at the headquarters, not included in the reported segment.
  - (2) Segment assets of 52,305 million yen include intersegment transactions of (3,771) million yen and corporate-wide expenses of 56,076 million yen, not included in each reported segment. Corporate-wide expenses refer to surplus fund management (cash and cash equivalents, and securities) and administrative expenses at the headquarters, not included in the reported segment.
  - (3) Depreciation and amortization of 516 million yen are corporate-wide expenses not included in each reported segment and refer to depreciation and amortization at the headquarters, not included in the reported segment.
  - (4) Increase in Property, plant and equipment and intangible assets of 319 million yen is capital investment at the headquarters, not included in the reported segment.
3. Segment incomes are adjusted with operating incomes in the consolidated financial statements.