



## **Consolidated Financial Results**

### **For the Fiscal Year Ended October 31, 2015**

*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, 2015

### 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
Contact:	Shigeru Nakatani, Director
Telephone:	+81-3-5908-2070
Scheduled date of annual shareholders' meeting:	January 27, 2016
Date of Dividend payment:	January 28, 2016
Scheduled date of filing annual report:	January 28, 2016

## 1. Consolidated Financial Results (November 1, 2014 – October 31, 2015)

### (1) Consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2015	%	2014	%
Net Sales .....	537,456	2.7	523,246	9.1
Operating Income.....	19,970	25.6	15,906	34.3
Ordinary Income.....	22,685	19.3	19,016	25.1
Net Income .....	10,890	20.3	9,050	1.6
Net Income per Share (yen).....	167.94		139.56	
Net Income per Share, Diluted (yen).....	157.22		137.61	
Return on Equity (ROE) .....	11.6%		10.8%	
Ordinary Income to Total Assets Ratio .....	7.7%		7.6%	
Operating Income to Net Sales Ratio.....	3.7%		3.0%	
Notes: Comprehensive income:	Full year ended October 31, 2015:		14,583 million yen (11.8%)	
	Full year ended October 31, 2014:		13,040 million yen (-13.2%)	
Notes: Equity of earnings in affiliates:	Full year ended October 31, 2015:		77 million yen	
	Full year ended October 31, 2014:		786 million yen	

### (2) Consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2015	2014
Total Assets.....	308,245	281,332
Net Assets.....	113,990	102,295
Shareholders' Equity Ratio.....	32.3%	31.5%
Net Assets per Share (yen).....	1,534.77	1,366.04
Notes: Shareholders' equity (consolidated):	As of October 31, 2015:	99,528 million yen
	As of October 31, 2014:	88,587 million yen

### (3) Consolidated Cash Flows

	<i>Millions of Yen</i>	
	Fiscal Year Ended October 31,	
	2015	2014
Cash Flows from Operating Activities .....	12,597	23,701
Cash Flows from Investing Activities .....	(28,177)	(12,703)
Cash Flows from Financing Activities .....	16,253	37,033
Cash and Cash Equivalents at End of Year .....	113,330	110,145

### 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			
FY2014	0.00	18.00	18.00	1,167	12.9	1.4
FY2015	0.00	22.00	22.00	1,426	13.1	1.5
FY2016 (Forecast)	0.00	26.00	26.00	—	13.7	—

### 3. Consolidated Forecast for the Fiscal Year Ending October 31, 2016

	<i>Millions of Yen</i>			
	Interim ending April 30, 2016		FY ending October 31, 2016	
	Sales	Profit	Sales	Profit
Net Sales .....	276,000	5.8%	590,000	9.8%
Operating Income.....	11,000	9.7%	22,800	14.2%
Ordinary Income.....	12,000	6.6%	25,400	12.0%
Net Income.....	5,800	13.7%	12,300	12.9%
Net Income per Share (yen) .....	89.44		189.67	

### 4. Additional Notes

- (1) Changes of important subsidiaries during the fiscal year (Changes of specific subsidiary due to change in scope of consolidation): None
- (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 year (including treasury stock):
    - As of Oct 31, 2015 68,522,936 shares
    - As of Oct 31, 2014 68,522,936 shares
  - (ii) Number of treasury stock at end of fiscal year
    - As of Oct 31, 2015 3,673,816 shares
    - As of Oct 31, 2014 3,673,396 shares
  - (iii) Average number of shares during the year
    - As of Oct 31, 2015 64,849,286 shares
    - As of Oct 31, 2014 64,849,933 shares



## **Consolidated Financial Results for the Fiscal Year Ended October 31, 2015**

**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 pages 6-7 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 travel market saw its demand for overseas travel affected by concerns over the international situation and infectious diseases as well as the weak yen trend. On the other hand, demand for domestic travel remained robust, driven by growing trend towards domestic orientation, backed by local tourism promotions and the registration of the World heritage sites. Turning to foreign travelers visiting Japan, demand from China and Southeast Asian countries climbed substantially, and the number of foreign travelers visiting Japan exceeded the number of Japanese leaving Japan for the first time, continuing to break records and showing strong growth.

Under these business environments, the Group placed priority on providing customers with safe and secure travel and strived to further improve quality by leveraging its domestic and international network to provide information and services to customers. Furthermore, the Group continued to take on a variety of challenges for the creation of new value, and commit itself to speedily deploying businesses with an eye on the future.

Share of revenues for each segment is calculated based on amounts before the elimination of inter-segment transactions.

#### **- Travel Business**

As for the product deployment, the Group strived to further enrich its lineup of products with the expansion of its business class packages and enhancement of a guided packaged tour "impresso", thereby promoting high value added products and increasing the unit price. The Group also focused on the deployment of targeted, specialized products. In the study tour, "Volunteering at Cambodian's orphanage & Angkor Wat for 6 days" won the "2015 Tour Grand Prix" in overseas travel section of the Chief Secretary of Japan Tourism Agency's Award. As a measure to strengthen the area of beach resort, the Group opened its original specialty outlet for Hawaii in Shinjuku 3-chome, Tokyo and Kumamoto prefecture, following the opening in Osaka Umeda Station last year. The Group also launched "LeaLea Points" which you can earn and redeem points for shopping and dining in affiliated shops in Hawaii.

As for initiatives in the IT business, the Group enabled arranging air tickets for international flights via air ticket apps, and worked to improve services using smartphones, including the development of "support on the go" apps and "visit Japan" apps. The Group also improved convenience of its website by strengthening search functions and simplifying a reservation process, as well as building a new customer base system.

As for the branch deployment, the Group opened a new concept branch in Omotesando, Tokyo. The Group also launched "Tourist Information Center" for travelers visiting Japan in Shinsaibashi, Osaka prefecture and Harajuku, Tokyo, marking the eighth location in Japan, through which further enhancing our support system, including tourist information and optional tour offerings.

Corporate or group travel remained steady, driven by an increase in orders for large scale group travel, including various events and corporate incentive travels. The Group also expanded "Travel Concierge Desk" services, available for Card Members only, and prepared to receive MICE travelers visiting Japan.

In the domestic travel business, we expanded our lineup of only one products which can be enjoyed at our dedicated beaches as well as designated hotel goods. Moreover, we strengthened our offerings in Okinawa as a priority destination. Furthermore, we promoted "landing-based tourism business" in collaboration with local governments, including "Yu (Hot Spring) Welcome Oita Campaign". In popular bus tours, departing and arriving stops were increased. As a result, our business remained strong.

As for foreign travelers visiting Japan, the business remained brisk as the number of travelers from China substantially rose, and the Group succeeded in receiving travelers from Southeast Asia by coordinating dedicated inbound travel teams, thereby strengthening individual travels.

Turning to overseas business, the Group focused on improving its brand recognition by actively exhibiting at local travel fairs held in Taiwan, Malaysia and other locations. Moreover, the Group expanded its business significantly by increasing the number of receiving travelers other than Japanese at each location, including travelers from China with promising prospects. In the Southeast Asian region, the Group has expanded to 29 branches in Thailand and 17 branches in Indonesia for local sales activities, and increased the number of overseas locations by launching a tour desk in Madagascar in the Indian Ocean. As of the end of October 2015, the Group has a network of sales domestically in 303 branches and globally in 62 countries, 130 cities and 200 branches, marking an increase of 27 branches from a year earlier.

As a result of these measures, the travel business for the current fiscal year recorded net sales of 476,174 million yen, an increase of 1.6% compared with the previous fiscal year. The Group achieved record high operating income of 12,535 million yen, an increase of 21.6% compared with the previous fiscal year.

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

HUIS TEN BOSCH Co., Ltd. has evolved its popular events. In "The Kingdom of Light Series", one of the world's largest extravaganzas, over 11 million bulbs lighted up the theme park at night. In the "Kingdom of Flowers", "The Rose Festival" was held where 1,500 varieties of roses, amounting to approximately 1.11 million, the most seen in the series, were in full bloom. In May 2015, "Kingdom of Health and Beauty" was born as a new style of stay with the theme of "Healthier, More beautiful". In July, we embarked on a new challenge, opening a new concept "Henn-na Hotel", responding to ever-changing times, with view of achieving the world-class productivity. We held events of "Only One" or "No. 1" value, with a focus on five kingdoms so that our customers can enjoy the theme park throughout the year. We also implemented new rainy-day measures, and expanded seasonal events including fireworks and swimming pools. As a result, the number of visitors exceeded 3 million people for the first time in 15 years, and continued to show strong growth.

At newly launched LAGUNA TEN BOSCH, after the first year of operation following the business succession in August 2014, we have made effort to attract customers by implementing the Japan's first, 3D mapping illumination event and opening a beach park with the Japan's largest collection of air playground equipment.

Moreover, we have launched "Sweets Cafe" and "Steak House" using locally produced material, and have taken a variety of measures to improve satisfaction of a wide range of customers. Consequently, our business moved into the black.

As a result, the Group recorded good performance in the theme park business, with net sales of 32,532 million yen, an increase of 24.0% compared with the previous fiscal year; and an operating income of 9,403 million yen, an increase of 21.8% compared with the previous fiscal year.

#### **- Hotel Business**

As a result of the measures taken to improve customer satisfaction and profitability at each hotel, namely Watermark Hotel Group (Gold Coast, Brisbane, Sapporo, and Nagasaki) and Guam Reef & Olive Spa Resort (Guam), the Group's results remained solid, with net sales of 6,429 million yen, an increase of 18.8% compared with the previous fiscal year, and operating income of 345 million yen, an increase of 32.7% from a year earlier. In May 2015, a new Watermark Hotel & Spa BALI JIMBARAN began its operation in Bali, Indonesia, and celebrated its grand opening in August.

#### **- Transportation Business**

ASIA ATLANTIC AIRLINES CO., LTD., an international charter carrier, deploys operations utilizing the characteristics of charters at maximum, with new charter flights between Japanese cities and Southeast Asia, in addition to flights departing and arriving at Narita International Airport. As a result, the Group recorded net sales of 2,787 million yen, a decrease of 14.4% compared with the previous fiscal year, and an operating loss of 1,347 million yen, compared with an operating loss of 1,792 million yen a year earlier.

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

KYUSHU INDUSTRIAL TRANSPORTATION Group worked to provide customer orientated services in its bus business by increasing convenience for commuting, among others. Due to factors including the annually suspended services of Aso Ropeway and others caused by volcanic activities, as well as the preparation for the redevelopment of Sakura-machi in Kumamoto prefecture, the Group recorded net sales of 23,428 million yen, a decrease of 6.9% compared with the previous fiscal year and an operating income of 1,040 million yen, a decrease of 17.4% compared with the previous fiscal year.

As a result, the Group achieved record results for the fifth consecutive year with consolidated net sales of 537,456 million yen, an increase of 2.7% compared with the previous fiscal year; an operating income of 19,970 million yen, an increase of 25.6% compared with the previous fiscal year; and an ordinary income of 22,685 million yen, an increase of 19.3% compared with the previous fiscal year. The Group also achieved record high net income of 10,890 million yen, an increase of 20.3% from a year earlier.

## **(2) Forecast for the Next Full Year Ending October 2016**

Amid uncertainty about the state of the world situation, there are concerns about possible conflicts that could arise caused by heightened geopolitical risk, as well as factors which could affect the travel business. However, there are some promising areas of business, with rising demand for domestic travel, in addition to a growing

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 further improve our performance by leveraging our global network we have established, providing new services ahead of time in the global market, creating new value, and providing further customer satisfaction and safety.

At Huis Ten Bosch, we will promote our strategy of "Only One" or "No. 1" value, and further evolve our five main kingdoms: "Kingdom of Flowers", "The Kingdom of Light Series", "The Kingdom of Music and Show", "The Kingdom of Game" and "Kingdom of Health and Beauty". Moreover, we plan to build the second phase of "Henn-na Hotel" of the world-class productivity, and continue to embark on new challenges in businesses other than theme park, including energy and the development of service robots.

As a result of these measures, the Group expects to exceed the results of the current consolidated fiscal year for the next 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 22 yen per share.



As for the dividend for the next fiscal year, the Group plans to pay an annual common dividend of 26 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 4, 2015 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 88.5% of group sales by segment; sales by region are also concentrated in Japan, at 91.4%. 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 73.1% of group sales, and overseas travel comprised 87.2% 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 56.1% of the total (or 35.6% 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) Effect 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 makes use of computer systems for operations including a reservation arrangement. 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., 98 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. H.I.S.ANA Navigation JAPAN Co.,Ltd. and 44 other companies
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### (2) Theme Park Business

The Group owns and operates the theme parks located in Sasebo, Nagasaki prefecture and Gamagori, Aichi prefecture.

#### Group Companies

Huis Ten Bosch Co., Ltd. Huis Ten Bosch Technical Center Co., Ltd. HTB Tourism Co., Ltd.	LAGUNA TEN BOSCH Co., LTD. and 2 other companies
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### (3) Hotel Business

The Group operates hotel and other ancillary businesses in Australia, Guam, Indonesia 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. PT. HARUM INDAH SARI INDONESIA 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 Retail Co.,Ltd. Kumamoto Sakuramachi Development Co.,Ltd. and 2 other companies
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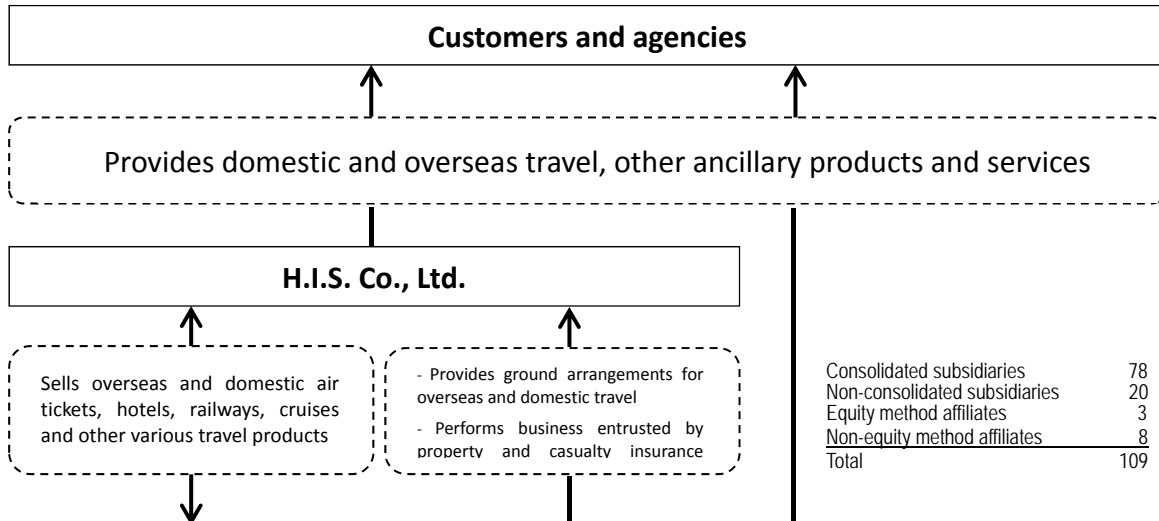
**(6) Other businesses**

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

**Group Companies**

H.S. INSURANCE Co., Ltd.	and 8 other companies
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The following table illustrates the Group's operating relationships.



<b>Subsidiaries &amp; Affiliated Companies</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. H.I.S.ANA Navigation JAPAN Co.,Ltd. and 44 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 2 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. PT. HARUM INDAH SARI INDONESIA 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 Retail Co.,Ltd. Kumamoto Sakuramachi Development Co.,Ltd. and 2 other companies
<b>Other businesses</b>	
H.S. INSURANCE Co., Ltd.	and 8 other companies

### **III. Management Policy**

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

Under the corporate philosophy of "Through tourism, we increase the knowledge of people around the world and contribute to the advancement of world peace and mutual understanding beyond national, racial, cultural, and religious boundaries," 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.

- **Maximizing group synergy**

The Group will strive to strengthen collaboration in its established global network in Japan and overseas, and develop products that our customers will be more thrilled than ever, by leveraging purchasing, planning and arrangement. In addition, the Group will provide customers all over the world with its materials and services in Japan and overseas through various channels. In the growth area of Southeast Asia, including Thailand, Indonesia, and Vietnam, the Group will accelerate business deployment targeting local customers, and focus on transferring/receiving travelers between overseas locations. Moreover, the Group will reinforce group synergy by collaborating among the group in the promising "visit Japan" business, and transferring the Group's customers to the theme parks. As such, the Group aims to become a trustworthy, global travel company, supported all over the world. In preparation for the expansion of travel demand which accelerates mainly in Asia, the Group will strive to expand its business by securing stable sources of supply of airline seats and hotel rooms, and organizing a system to provide the original products. The Group will provide its consistent, high-quality services of "Only One" or "No.1" value, from booking a travel to moving to the destination, as well as local guides, accommodations, travel destinations, and the Group's theme parks (Huis Ten Bosch and Laguna Ten Bosch).

At Huis Ten Bosch, in order to materialize "Tourism Business City", the Group will evolve "Henn-na Hotel", responding to ever-changing times, with view of achieving the world-class productivity. Furthermore, the Group will continue to embark on new challenges in businesses other than theme park, including energy businesses (solar energy) 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:

- **Providing safety and security, improving on 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 improve the level of its service, both in Japan and overseas, and provide a consistent service, from “before departure”, and “while on a journey” to “after returning home”, for our customer satisfaction and support.

- **Pursuing customers' satisfaction**

The Group will enhance its ability in arrangement and dispatching information leveraging its global network and group synergies, pursue convenience and also realize competitive prices as well as a line of highly original products. Further pursuing customers' satisfaction, the Group will develop products which amplify the excitement before departure, and realize memorable experience while on a journey that beats the expectation of our customers. Moreover, the Group will take most advantage of its infrastructure to provide enriched services and create new value.

- **Global Human Resource Development**

In the global travel market, the emergence of new faces in the market is noticeable, including evolving global online travel agencies and emerging companies in a different industry which offer a new travel-related service in addition to the existing major travel agencies. In order to achieve sustainable growth and business expansion in the medium to long-term, the Group recognizes that it is essential to deploy globally, for instance, developing IT platforms and taking on challenges in new business areas with an eye on the future. The Group will strive to recruit and develop human resource with abilities to speedily execute these tasks with a driving force.

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

None

### **IV. Basic Policy Regarding Selection of Accounting Standards**

The Group currently applies the Japanese Accounting Standards (Japan GAAP) but will continue to follow the development of International Financial Reporting Standards attentively.



## V. Consolidated Financial Statements

### 1. Consolidated Balance Sheets

	<i>Millions of Yen</i>	
	As of Oct 31, 2015	As of Oct 31, 2014
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits .....	136,316	136,230
Accounts receivable-trade.....	18,430	15,496
Operating accounts receivable.....	8,279	7,386
Securities .....	14,322	1,486
Travel advance payments .....	22,010	23,296
Prepaid expenses .....	2,474	1,884
Deferred tax assets .....	2,619	2,054
Short-term loans receivable .....	109	1,135
Short-term loans receivable from subs.and associates....	71	617
Accounts receivable-other.....	2,780	2,021
Other .....	5,686	5,261
Allowance for doubtful accounts.....	(122)	(80)
<b>Total current assets.....</b>	<b>212,979</b>	<b>196,789</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings .....	26,681	36,923
Accumulated depreciation .....	(13,213)	(24,143)
Buildings, net.....	13,467	12,780
Tools, furniture and fixtures.....	13,054	10,983
Accumulated depreciation .....	(8,563)	(7,645)
Tools, furniture and fixtures, net.....	4,490	3,338
Vessels .....	5,469	4,738
Accumulated depreciation .....	(1,139)	(809)
Vessels, net.....	4,329	3,928
Land.....	23,032	22,556
Leased assets.....	4,809	3,897
Accumulated depreciation .....	(2,008)	(1,479)
Leased assets, net .....	2,800	2,418
Other.....	20,737	11,424
Accumulated depreciation .....	(8,096)	(7,742)
Other, net .....	12,641	3,681
<b>Total property, plant and equipment.....</b>	<b>60,761</b>	<b>48,704</b>
<b>Intangible assets .....</b>	<b>5,003</b>	<b>4,552</b>
<b>Investments and other assets</b>		
Investment securities .....	1,864	13,643
Shares of subsidiaries and associates .....	6,844	7,438
Investments in capital of subs. and associates .....	55	65
Long-term loans receivable.....	7,661	159
Long-term loans receivable from subs. and associates ...	85	136
Deferred tax assets .....	3,110	2,946
Guarantee deposits.....	6,501	6,044
Other .....	3,343	892
Allowance for doubtful accounts.....	(207)	(223)
<b>Total investments and other assets.....</b>	<b>29,260</b>	<b>31,103</b>
<b>Total non-current assets.....</b>	<b>95,025</b>	<b>84,360</b>
Deferred assets.....	241	181
<b>Total assets .....</b>	<b>308,245</b>	<b>281,332</b>

	<i>Millions of Yen</i>	
	As of Oct 31, 2015	As of Oct 31, 2014
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable .....	21,368	22,181
Short-term loans payable .....	6,860	1,350
Current portion of long-term loans payable .....	21,515	1,551
Accounts payable-other .....	3,512	2,947
Accrued expenses.....	2,907	2,588
Income taxes payable .....	3,369	6,956
Accrued consumption taxes .....	1,034	833
Travel advance received .....	50,711	50,542
Lease obligations .....	834	758
Provision for bonuses.....	3,387	2,968
Provision for directors' bonuses .....	161	141
Other .....	7,330	5,564
<b>Total current liabilities.....</b>	<b>122,993</b>	<b>98,384</b>
<b>Non-current liabilities</b>		
Bonds payable .....	20,000	20,000
Convertible bond-type bonds with subscription rights to shares .....	20,153	20,193
Long-term loans payable.....	14,319	22,780
Deferred tax liabilities.....	4,868	4,880
Net defined benefit liability .....	6,009	6,945
Provision for directors' retirement benefits .....	747	737
Provision for repairs .....	1,023	1,433
Lease obligations .....	2,486	2,133
Other .....	1,653	1,547
<b>Total non-current liabilities .....</b>	<b>71,261</b>	<b>80,652</b>
<b>Total liabilities .....</b>	<b>194,254</b>	<b>179,036</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock .....	11,000	6,882
Capital surplus .....	3,665	7,782
Retained earnings .....	82,150	71,612
Treasury shares .....	(2,535)	(2,533)
<b>Total shareholders' equity .....</b>	<b>94,280</b>	<b>83,743</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities .....	49	324
Deferred gains or losses on hedges.....	(449)	790
Foreign currency translation adjustment .....	5,878	3,902
Remeasurements of defined benefit plans .....	(230)	(173)
<b>Total accumulated other comprehensive income .....</b>	<b>5,248</b>	<b>4,843</b>
Minority interests .....	14,461	13,708
<b>Total net assets.....</b>	<b>113,990</b>	<b>102,295</b>
<b>Total liabilities and net assets .....</b>	<b>308,245</b>	<b>281,332</b>

## 2. Consolidated Statements of Income

	<i>Millions of Yen</i>	
	Nov 1, 2014 – Oct 31, 2015	Nov 1, 2013 – Oct 31, 2014
<b>Net sales</b> .....	537,456	523,246
Cost of sales .....	429,201	427,306
Gross profit.....	108,254	95,939
Selling, general and administrative expenses .....	88,284	80,033
Operating income .....	19,970	15,906
<b>Non-operating income</b>		
Interest income .....	1,155	639
Foreign exchange gains.....	1,109	784
Share of profit of entities accounted for using equity method .....	77	786
Other .....	1,429	1,605
Total non-operating income.....	3,772	3,816
<b>Non-operating expenses</b>		
Interest expenses.....	265	171
Loss on valuation of derivatives	166	—
Other .....	625	534
Total non-operating expenses.....	1,057	705
Ordinary income .....	22,685	19,016
<b>Extraordinary losses</b>		
Loss on sales of investment securities.....	484	—
Total extraordinary losses .....	484	—
<b>Income before income taxes and minority interests .....</b>	<b>22,200</b>	<b>19,016</b>
Income taxes - current.....	8,447	8,905
Income taxes - deferred .....	(272)	(1,160)
Total income taxes .....	8,175	7,744
<b>Income before minority interests.....</b>	<b>14,025</b>	<b>11,271</b>
<b>Minority interests in income.....</b>	<b>3,134</b>	<b>2,221</b>
<b>Net income .....</b>	<b>10,890</b>	<b>9,050</b>

### 3. Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>	
	Nov 1, 2014 – Oct 31, 2015	Nov 1, 2013 – Oct 31, 2014
<b>I. Cash flows from operating activities</b>		
Income before income taxes and minority interests .....	22,200	19,016
Depreciation .....	6,310	5,038
Amortization of goodwill .....	193	244
Increase (decrease) in provision for bonuses .....	360	1,307
Increase (decrease) in provision for directors' bonuses .....	17	66
Increase (decrease) in net defined benefit liability .....	782	867
Increase (decrease) in provision for directors' retirement benefits .....	8	65
Increase (decrease) in provision for repairs .....	(434)	(86)
Interest and dividend income .....	(1,163)	(649)
Share of (profit) loss of entities accounted for using equity method .....	(77)	(786)
Foreign exchange losses (gains) .....	(743)	(599)
Interest expenses .....	265	171
Loss (gain) on sales of investment securities .....	484	—
Other loss (gain) .....	124	(139)
Decrease (increase) in notes and accounts receivable-trade ....	(3,191)	(1,971)
Decrease (increase) in travel advance payments .....	1,423	(1,601)
Decrease (increase) in other assets .....	(2,469)	(728)
Increase (decrease) in notes and accounts payable-trade .....	(1,509)	1,757
Increase (decrease) in accrued consumption taxes .....	193	385
Increase (decrease) in accrued expenses .....	273	332
Increase (decrease) in travel advances received .....	40	3,012
Increase (decrease) in other liabilities .....	689	852
<b>Subtotal .....</b>	<b>23,777</b>	<b>26,554</b>
Interest and dividend income received .....	1,049	666
Interest expenses paid .....	(246)	(164)
Income taxes (paid) refund .....	(11,983)	(3,355)
<b>Net cash provided by (used in) operating activities .....</b>	<b>12,597</b>	<b>23,701</b>

	Millions of Yen	
	Nov 1, 2014 – Oct 31, 2015	Nov 1, 2013 – Oct 31, 2014
<b>II. Cash flows from investing activities</b>		
Payments into time deposits .....	(53,732)	(36,557)
Proceeds from withdrawal of time deposits .....	54,621	32,469
Purchase of securities .....	(2,000)	(4,478)
Proceeds from redemption of securities .....	2,043	5,600
Purchase of property, plant and equipment and intangible assets .....	(15,345)	(6,423)
Purchase of investment securities .....	(2,137)	(1,367)
Purchase of shares of subsidiaries and associates .....	(5,660)	(1,707)
Proceeds from sales of investment securities .....	150	828
Proceeds from redemption of investment securities .....	800	—
Payments of loans receivable .....	(7,429)	(639)
Collection of loans receivable .....	1,148	45
Payments for guarantee deposits .....	(1,083)	(761)
Proceeds from collection of guarantee deposits .....	710	615
Other, net .....	(263)	(327)
<b>Net cash provided by (used in) investing activities .....</b>	<b>(28,177)</b>	<b>(12,703)</b>
<b>III. Cash flows from financing activities</b>		
Increase in short-term loans payable .....	37,255	16,045
Decrease in short-term loans payable .....	(31,745)	(16,795)
Proceeds from long-term loans payable .....	13,065	930
Repayments of long-term loans payable .....	(1,562)	(1,557)
Cash dividends paid .....	(1,167)	(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 .....	(33)	(16)
Proceeds from share issuance to minority shareholders .....	1,080	—
Other, net .....	(639)	(544)
<b>Net cash provided by (used in) financing activities .....</b>	<b>16,253</b>	<b>37,033</b>
<b>IV. Effect of exchange rate change on cash and cash equivalents .....</b>	<b>1,636</b>	<b>687</b>
<b>V. Net increase (decrease) in cash and cash equivalents .....</b>	<b>2,309</b>	<b>48,719</b>
<b>VI. Cash and cash equivalents at beginning of period .....</b>	<b>110,145</b>	<b>61,426</b>
<b>VII. Increase in cash and cash equivalents from newly consolidated subsidiary .....</b>	<b>875</b>	<b>—</b>
<b>VIII. Cash and cash equivalents at end of period .....</b>	<b>113,330</b>	<b>110,145</b>

## 4. Segment Information

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

#### Current Fiscal Year ended October 31, 2015 (November 1, 2014 – October 31, 2015)

(Millions of Yen)

	Reported Segment						Other Businesses *1	Total	Eliminations & Corporate *2	Consolidated *3
	Travel Business	Theme Park Business	Hotel Business	Transportation Business	Kyushu Sanko Group	Subtotal				
Net sales										
(1) Sales to outside customers	475,844	30,948	5,445	1,763	23,408	537,411	45	537,456	—	537,456
(2) Inter-segment sales / transfers	329	1,583	984	1,023	20	3,941	—	3,941	(3,941)	—
Total	476,174	32,532	6,429	2,787	23,428	541,352	45	541,398	(3,941)	537,456
Segment incomes (losses)	12,535	9,403	345	(1,347)	1,040	21,977	22	21,999	(2,029)	19,970
Segment assets	156,597	35,546	13,560	5,713	38,485	249,903	1,022	250,926	57,319	308,245
Others										
Depreciation and amortization	2,184	1,179	785	233	1,326	5,709	15	5,724	545	6,270
Investment in equity method affiliates	6,129	—	—	—	—	6,129	374	6,503	—	6,503
Increase in Property, plant and equipment and intangible assets	3,128	6,395	1,049	4	5,753	16,332	6	16,338	316	16,654

#### Notes:

- Other Businesses refer to the business segment not included in the reported segment, including real estate businesses among others.
- The details of Eliminations & Corporate are as follows:
  - Segment incomes (losses) of (2,029) 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.
  - Segment assets of 57,319 million yen include intersegment transactions of (4,564) million yen and corporate-wide assets of 61,883 million yen, not included in each reported segment. Corporate-wide assets refer to surplus fund management (cash and cash equivalents, and securities) at the headquarters, not included in the reported segment.
  - Depreciation and amortization of 545 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.
  - Increase in Property, plant and equipment and intangible assets of 316 million yen is capital investment at the headquarters, not included in the reported segment.
- Segment incomes or losses are adjusted with operating incomes in the consolidated financial statements.