



Consolidated Financial Results

For the First Half Ended April 30, 2006

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

Summary of Consolidated Financial Results For the First Half Ended April 30, 2006

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

Exchange Listed:	Tokyo Stock Exchange, 1 st section
Principal Office:	Tokyo, Japan
Homepage:	http://www.his-j.com
Representative Director, President:	Yoshio Suzuki
Contact:	Kazumasa Namekata Representative Director, Managing Director
Telephone:	+81-3-5908-2070
Date of Board Meeting:	June 19, 2006
U.S. GAAP Accounting Principles	Not adopted

1. Consolidated Interim Financial Results (November 1, 2005 – April 30, 2006)

(1) Consolidated Operating Results

	Millions of Yen - Except Per Share Data and Percents				
	First Half Ended April 30,		FY Ended October 31,		
	2006	%	2005	%	2005
Net Sales	148,020	12.9	131,151	13.6	290,593
Operating Income	2,685	45.5	1,845	2.3	5,473
Ordinary Income	2,973	23.8	2,402	18.2	6,483
Net Income	1,741	(32.3)	2,572	176.1	6,340
Net Income per Share (Yen)	52.17		77.04		188.85
Net Income per Share, diluted (Yen).....	—		—		—

Notes:

- 1) Gain (loss) from investments in subsidiaries and affiliates accounted for by the equity method:

First half ended April 30, 2006	(26) million yen
First half ended April 30, 2005:	346 million yen
Fiscal year ended October 31, 2005:	254 million yen

- 2) Weighted-average number of shares outstanding during the period (consolidated):

First half ended April 30, 2006:	33,387,311 shares
First half ended April 30, 2005:	33,396,884 shares
Fiscal year ended October 31, 2005:	33,393,784 shares

- 3) Changes made to accounting method: Yes

- 4) A 1.5-for-1 stock split took effect on December 20, 2004. Per-share figures are shown as if the split had occurred at the beginning of the fiscal year 2005.

(2) Consolidated Financial Position

	Millions of Yen - Except Per Share Data		
	As of April 30,		As of Oct. 31,
	2006	2005	2005
Total Assets.....	87,458	76,604	80,929
Shareholders' Equity	43,075	34,271	41,209
Shareholders' Equity Ratio (%).....	49.3	44.7	50.9
Shareholders' Equity per Share (Yen)	1,290.24	1,026.35	1,233.20

Notes: Number of shares outstanding at the end of the period (consolidated):

As of April 30, 2006: 33,385,601 shares

As of April 30, 2005: 33,391,614 shares

As of October 31, 2005: 33,389,159 shares

(3) Consolidated Cash Flows

	Millions of Yen		
	First Half Ended April 30,		FY Ended Oct. 31,
	2006	2005	2005
Cash Flows from Operating Activities	1,006	(1,885)	(603)
Cash Flows from Investing Activities	(2,820)	282	(3,202)
Cash Flows from Financing Activities.....	(721)	(542)	(567)
Cash and Cash Equivalents at End of Period	30,468	34,627	32,557

(4) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries:	34
Number of non-consolidated subsidiaries accounted for by the equity method:	0
Number of affiliates accounted for by the equity method:	4

(5) Changes in the Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries:	New:	3	Excluded:	0
Equity method:	New:	1	Excluded:	0

2. Consolidated Forecast for the Fiscal Year Ending October 31, 2006

	Millions of Yen
	FY Ending October 31, 2006
Net Sales	336,000
Ordinary Income	8,250
Net Income	4,400
Net Income per Share (Yen)	131.79

Note: Contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors. Please consult page 11 for further information concerning the projections.

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

H.I.S. Group (H.I.S. Co., Ltd. and its subsidiaries) comprises H.I.S. Co., Ltd., 45 subsidiaries and 10 affiliated companies. The locations and main businesses of the principal subsidiaries are outlined in the following tables, which are organized by the business categories used in segment information.

(1) Travel Business

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

Subsidiaries

Japan	Asia / Oceania
No. 1 Travel Shibuya Co., Ltd. ¹ H.I.S. Okinawa Co., Ltd. ¹ Orion Tour Co., Ltd. ¹ ATB Co., Ltd. ¹ Cruise Planet Co., Ltd. ¹	HIS (HONG KONG) COMPANY LIMITED ¹ H.I.S. WESTRALIA PTY LTD. ¹ H.I.S. AUSTRALIA PTY. LTD. ¹ H.I.S. KOREA CO., LTD. ¹ H.I.S. INTERNATIONAL TRAVEL PTE LTD. ¹ PT. HARUM INDAH SARI TOURS AND TRAVEL ¹ H.I.S. INTERNATIONAL TOURS KOREA INC. ¹ H.I.S. TOURS CO., LTD. ¹ MAPTOUR MONGOLIA LLC H.I.S. MALDIVES TRAVEL PTE LTD H.I.S. TRAVEL (MALAYSIA) SDN BHD. HIS (FIJI) LIMITED ¹ H.I.S. (Cambodia) Travel Co., Ltd. H.I.S. (MACAU) TRAVEL COMPANY LIMITED H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD. H.I.S. Travel (India) Private Limited. HIS Uluslararası Turizm Seyahat Acentasi Limited Sirketi

The Americas	Europe
H.I.S. U.S.A. Inc. ¹ H.I.S. INTERNATIONAL TOURS (NY) INC. ¹ H.I.S. TOURS (S.F.), INC. ¹ H.I.S. TOURS USA, INC. ¹ HAWAII HIS CORPORATION ¹ H.I.S. TOURS (NEVADA) INC. ¹ H.I.S. INTERNATIONAL TOURS (CARIBBEAN) LTD. ¹ H.I.S. CANADA INC. ¹ H.I.S. GUAM, INC. ¹ H.I.S. SAIPAN, INC. ¹ H.I.S. CANCUN S.A. DE C.V. ¹	H.I.S. Deutschland Touristik GmbH. ¹ H.I.S. INTERNATIONAL TOURS FRANCE ¹ H.I.S. EUROPE ITALY S.R.L. ¹ H.I.S. EUROPE LIMITED ¹ VIAJES H.I.S. MADRID S.A. ¹ H.I.S. (Austria) Travel GmbH

Affiliated Companies

Japan	Asia/Australasia
_____	NEW WORLD TRAVEL INTERNATIONAL PTY. LTD. H.I.S. TRAVEL (NEW ZEALAND) LTD. H.I.S. TAIWAN COMPANY LIMITED ²
United States	Europe
H.I.S. INTERNATIONAL TOURS (L.A.), INCORPORATED ²	_____

Notes:

1. Consolidated subsidiary
2. Equity-method affiliate

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

During the current consolidated interim period, VIAJES H.I.S.MADRID S.A. and HIS (FIJI) LIMITED became consolidated subsidiaries; ARK WORLD Inc., having completed liquidation during this period, is no longer a subsidiary.

Also during the current period, subsidiary ATB Co., Ltd. founded MAPTOUR MONGOLIA LLC, which became a subsidiary

of the Company, but because it was excluded from consolidation and application of the equity method, it has not been included in business segment information.

(2) Hotel Business

The Group operates hotel and hotel-related business in Australia and elsewhere. H.I.S.INVESTMENTS PTY LTD. and WHG Investments Brisbane Pty. Ltd. own hotels in the Gold Coast and Brisbane, respectively, which are managed by THE WATERMARK HOTEL GROUP PTY LTD.

In addition, SIPADAN WATER VILLAGE AND TOURS SDN BHD. oversees hotel business in Sabah, Malaysia.

Subsidiaries

Affiliated Companies

<p>H.I.S. INVESTMENTS PTY LTD.¹ THE WATERMARK HOTEL GROUP PTY LTD.¹ H.I.S. AUSTRALIA HOLDINGS PTY LTD.¹ WHG Investments Brisbane Pty. Ltd.¹</p>	<p>SIPADAN WATER VILLAGE AND TOURS SDN BHD.</p>
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Notes:

1. Consolidated subsidiary
2. Equity-method affiliate

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

WHG Investments Brisbane Pty. Ltd. became a consolidated subsidiary during the current consolidated interim period.

(3) Other Businesses

KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. (previously Kyushu Industrial Transportation Co., Ltd.) is involved in the long-distance and tour bus businesses. HIS-HS Kyushu Sanko Investment Limited Partnership owns the stock of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.

H.S. INSURANCE PLANNING Co, Ltd., which specializes in overseas travel insurance, oversees the Group's damage insurance business.

EAST ASIA STRATEGIC HOLDINGS LTD. handles consulting business.

H.I.S. PROPERTIES PTY LTD., which previously sold condominiums on the Gold Coast, ceased operations after selling all the properties it owned. Meanwhile, Passeport Co., Ltd., which previously operated a domestic food and beverage business, is currently dormant.

Subsidiaries

Affiliated Companies

<p>H.I.S. PROPERTIES PTY LTD. Passeport Co., Ltd.</p>	<p>KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. (previously Kyushu Industrial Transportation Co., Ltd.) HIS-HS Kyushu Sanko Investment Limited Partnership H.S. INSURANCE PLANNING Co, Ltd. EAST ASIA STRATEGIC HOLDINGS LTD. 800th Anniversary of the Mongolian States LLP.</p>
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Notes:

1. Consolidated subsidiary
2. Equity-method affiliate

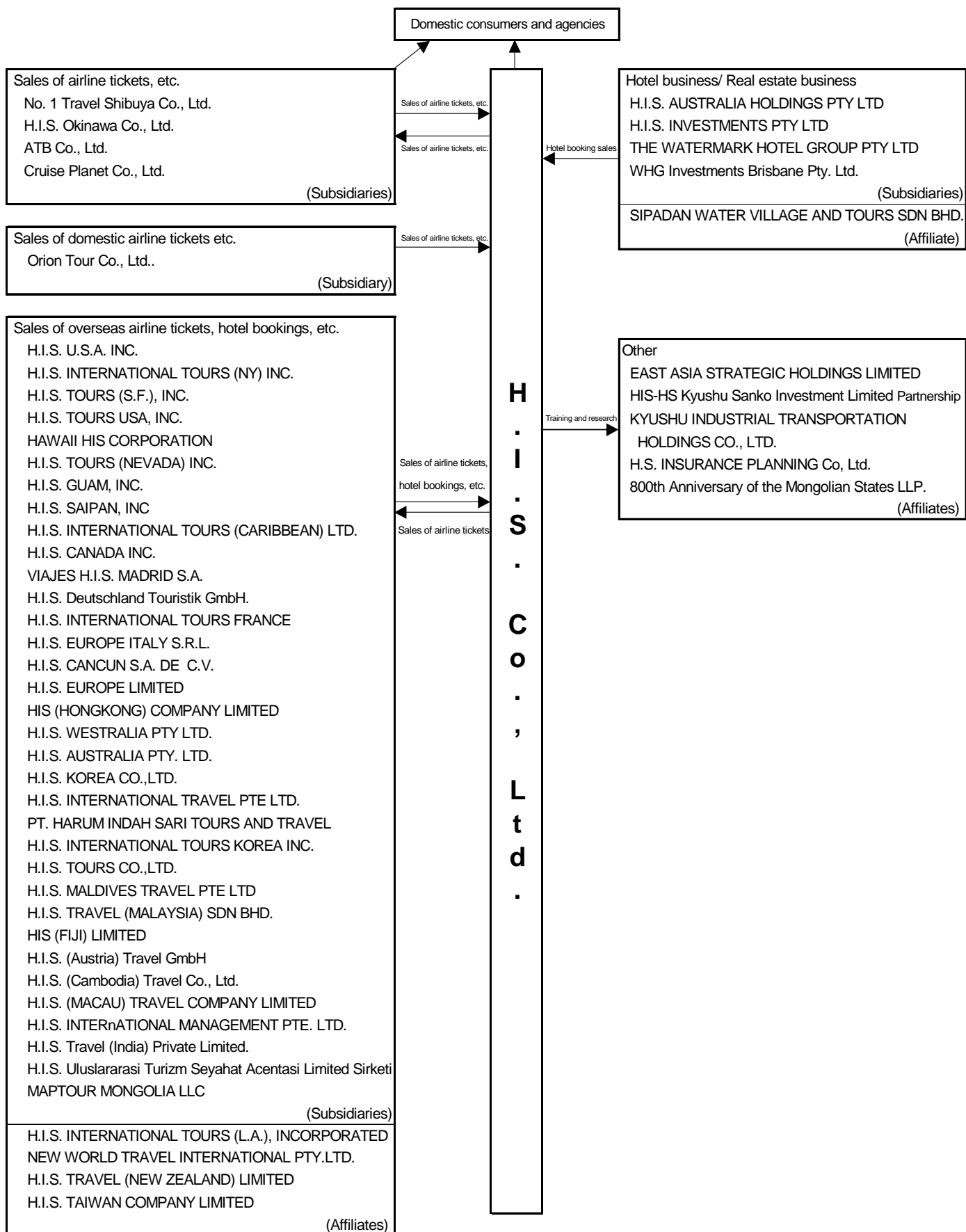
Accomo Strategic Management Co., Ltd. is no longer a subsidiary after the Company sold its holdings during the current consolidated interim period.

The Company acquired stock in KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., and purchased part of the same company's stock held by HIS-HS Kyushu Sanko Investment Limited Partnership, during the current consolidated interim period. Both companies are accounted for by the equity method. (The total stock that the Company owns in KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD., directly and through HIS-HS Kyushu Sanko Investment Limited Partnership is 23.3%.)

Furthermore, in order to participate in the 800th anniversary of the Mongol states, the Company contributed to the founding of the 800th Anniversary of the Mongolian States LLP., which has been excluded from consolidation and from the application of the equity method and is not included in business segment information.

During the current consolidated interim period, a total of 11 subsidiaries and 6 affiliated companies have been excluded from consolidation and from the application of the equity method. This is due to the relative lack of importance of these subsidiaries and affiliates to the Group.

The following table illustrates Group operating relationships.



II. Management Policy

(1) Basic management policy

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

(2) Allocation of profits

1) Basic approach to allocation of profits

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

2) Basic approach to dividends

The intent of the Company's dividend policy is to enable the continuous, stable payment of dividends to shareholders. Company dividend policy includes a provision for the payment of an interim dividend. However, as there is a trend for the proportion of sales, etc. recorded in the second half of the year to be relatively higher, in order to reflect results in dividends fairly the Company is planning at present to make a dividend payment in respect of the whole year of 17.50 yen per share.

3) Utilization of internal capital reserves

In order to prepare for competition and restructuring within the industry, the Company intends to provide improved customer service in Japan and overseas through expansion of its branch network and by actively responding to the rapidly changing IT environment and to unforeseen events such as SARS (Severe Acute Respiratory Syndrome) and terrorism. The Company recognizes the increasing need to establish a stable financial base and aims to maintain a high level of retained profits in order to provide stability to its business operations.

(3) Management goals and indicators

Efforts are underway to increase efficiency throughout the Group in order to achieve a target operating profit-to-sales ratio of 3%. To this end, the Company aims to actively utilize its global network of purchasing, planning and sales, improve and increase the efficiency of IT systems and strengthen education and training, with the aim of further improving the productivity of individual employees (i.e., increasing sales and operating profit per employee).

(4) Medium- to long-term business strategy

The Company aims to establish a market advantage by focusing the Group's resources on its core travel business; to create an energized, employee-friendly environment by maintaining staff that have a passion for travel; and to offer customers the vacation of their dreams through booking and planning services that are responsive to a changing environment and meet a wide variety of customer needs. In addition, while actively leveraging technology such as the Internet, the Company aims to enhance customer convenience and to be a travel company that has the support and trust of its customers.

The key points of the Company's three-year business plan, which began in November 2003, are discussed below.

- Increasing share of overseas departures

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

- Future customers

While further adapting to the Internet age, the Company plans to establish the travel industry's No. 1 website, anticipating customers' needs with improved content and functionality. Additionally, with the parallel launch of the Company's E-business division, new possibilities are being created with the Internet.

- Enhancing the foundations of our global strategy

By strengthening its network of overseas branches, and by differentiating and strengthening its services to Japanese traveling overseas, the Company will continue to work towards being a global travel company by handling travel arrangements for departures from overseas locations.

- Improving stakeholder satisfaction

The Company continues to strengthen its business structure for long-term support to stakeholders, including customers, shareholders and employees.

(5) Key issues

With the rise in the demand for overseas travel, the number of Japanese traveling overseas is expected to reach record levels in 2006. In this environment the key issues that need to be addressed by the Group include:

- Meeting diverse customer needs

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

- The rise of airline-direct sales and online agents

There has been a steady increase in airline-direct and Internet ticket sales through specialized travel agencies. The Company is advancing automation of online booking, and further developing its website, call center and integrated branch retail system (both clicks and mortar) to address the high demands of customers.

- Corporate and group travelers and the senior segment

Using the wealth of booking and product planning expertise that the Company has gained from its travel business for individuals, it is actively implementing sales to corporations and groups, mainly in major metropolitan areas, with the aim of these rapidly becoming 10% of the Company's total sales. Additionally, the Company expects to capture a greater share of the growing seniors segment by raising the overall level of awareness of the Group, and by targeting the experienced overseas traveler segment the Company will differentiate itself from competitors with a greater product line-up of guided tour packages.

- Development of human resources and training

H.I.S. is aware of the need to foster and maintain excellent human resources to enable the Company to meet the diverse needs of customers. Along with focusing on HR development aimed at improving employee productivity, the Company is also improving training aimed at increasing the capabilities of its staff.

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

1) Basic corporate governance related policies

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

2) Status of corporate governance policy implementation

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

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

b. Basic approach to and preparation of internal control system

To realize the management concept indicated in "H.I.S. Policy", the Company has prepared, in accordance with the Company Law and its implementing regulations, an internal control system necessary to assure appropriateness in work, appointed officers in charge and under them have established a secretariat.

c. Preparations and status of the Company's risk management system

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

d. Status of accounts auditing

As an internal audit division, an Audit Department is established reporting directly to the Representative Director and President. Its members investigate and check to see whether work execution is being carried out in compliance with various laws and regulations, the Company's regulations and management plans, whether it is effective and efficient, and carry out internal auditing with a view to guidance and improvement. The Audit Committee comprises one standing auditor and two external auditors. Based on audit plans and divisions of labor prescribed by the Committee, the auditors conduct reviews of the lawfulness of work execution.

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

The Audit Department, Audit Committee and accounting auditors exchange information and opinions as necessary, and reinforce other linkages with a view to improving audit quality.

e. Summary of personal, business and financial relationships between external directors and auditors and the Company

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

f. Status of selected corporate governance improvement initiatives

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

(7) Basic policies related to the relationship with affiliates (the parent company, etc.)

None applicable.

(8) Other important matters for corporate management

None applicable.

III. Operating Results and Financial Position

1. Operating Results

(1) Overview of consolidated results for the interim period

The Japanese economy continued its mild recovery during the interim under review, with capital expenditure and consumer spending following the steady improvement in corporate earnings. Uncertainties remained, however, with soaring crude oil and other prices.

The travel industry remained firm, as recovery in business environment gradually carried through into personal income. Overseas travel demand looked brighter as well, though concerns continued in the wake of the 2005 anti-Japan demonstrations in China, a wane in the Korea boom and the scattered outbreak of avian influenza. There was a particular impact on travel to China and Korea, the top overseas destinations for Japanese tourists. The Japan National Tourist Organization (JNTO) estimated that during the period from November 2005 to April 2006, Japanese overseas departures declined by 1.3% from the same period the year before, or by 115,000, to 8,508,000 departures.

Amidst these conditions the Group's travel business actively sought to increase share in the industry, with focus on improving the scale of our aggregate customer base. We took measures to announce travel packages earlier than usual in the year-end and spring holiday periods, and sought to increase our number of travelers with special plans including the "Two Million Customer Commemorative Campaign", "First Dream Sale", "Go Go Spring Campaign" and other price-advantageous initiatives including "Third person tour up to half price" and "Children up to half price". The Group also increased Internet marketing activities, boosting existing call center productivity, and aggressively promoting online business handling a wide range of products from airline tickets and package tours to hotel reservations. The Group also sought to improve its brand recognition in corporate and group sales and marketing activities, and increase new contracts with medium/ small corporations to large companies, moving to provide detailed support commensurate with the needs of each. These initiatives enabled a substantial 8.6% improvement in the number of travelers serviced, even as the industry experienced slowing growth in the number of departures from Japan.

As a result of these activities, the travel operations business achieved sales of ¥147,145 million and an operating profit of ¥3,663 million.

Sales from hotel operations similarly improved to ¥883 million with an operating income of ¥163 million, both far over levels in the previous period, as a strong Australian economy improved guest room occupancy rates and guest room unit prices, and a hotel in Brisbane was newly acquired in September 2005.

In consequence, consolidated sales for the interim period ended April 30, 2006 improved solidly to ¥148,020 million, with operating income improving to ¥2,685 million and ordinary income to ¥2,973 million.

Net income in this interim period were ¥1,741 million, a decrease of ¥830 million from the previous period, which had recorded extraordinary gain of ¥1,474 million following the sale of fixed assets - land and buildings in Tokyo's Ginza district - in that period.

(2) Forecasts for the full year

Prospects for travel industry in general are positive. Overseas travel demand in particular is expected to firm with improved corporate earnings, supported by a steady Japanese economy, and rising personal incomes. Travelers to China and Korea, discouraged by April 2005's anti-Japan demonstrations, are expected to return as well as those events recede.

As a result the H.I.S. Group anticipates demand in this year's summer season to exceed levels in the previous year. Management will strive to secure stable seating on scheduled flights, and take aggressive measures to set up charter flights and accommodate demand for popular destinations and departure days. For independent travelers, plans call for actively differentiating the Group with competitors not only in air ticket prices but also in the addition of value added

services. With regard to package tours, we will enhance our mainstay moderately priced products with new plans, such as packages involving deluxe hotels, and other packages targeting office ladies, families and other customer groups. In addition, we are actively promoting sales with the senior group, enhancing destinations and packages, and reinforcing advertising for our "Impresso" accompanied tours. Overall, summer reservations are running well ahead of last year's, while we are encouraging early customer concentration through linking early reservations to premiums offered.

The Group remains ever more committed to use of the Internet across the board. As a high priority, we are moving to further expand online reservations and other conveniences for customers, move into the blogging community and reinforce our range of Internet and mobile services for domestic travel.

The Global Business Development Department will be strengthened. The Group's plan calls for the number of overseas branches to grow to 100 over the next several years, expanding customer support structures in local areas and improving product planning capabilities with the Group's own proprietary network and services.

Hotel operations will strive for stable earnings from its two Australian hotel properties, develop the hotel management outsourcing business in Japan and expand business scale in the mid-term.

2. Financial Position

(1) Overview of consolidated cash flows in the interim period ended April 30, 2006

Cash and cash equivalents for the interim period ended April 30, 2006 were ¥30,468 million, less ¥2,088 million than one year earlier. Cash inflow from operating activities was ¥1,006 million, while cash outflow from investing activities was ¥2,820 million and cash outflow from financing activities was ¥721 million.

Details of interim consolidated cash flows are as follows.

Cash flow from operating activities

Cash inflow from operating activities during the interim period was ¥1,006 million. The main factors contributing positively were net income before income taxes of ¥2,967 million, a ¥2,215 million increase in trade payables due to higher turnover, and gains of ¥1,244 million in pre-trip deposits (customer travel prepayments) due to greater advance reservation receipts. The principal factors contributing to operating cash outflow were ¥3,059 million cash flow from higher sales credits due to higher business volumes, and ¥2,532 million cash outflow from increases in travel deposits (Company travel prepayments).

Cash flow from operating activities during the previous consolidated interim period was minus ¥1,885 million, principally due to recorded net income before income taxes of ¥4,097 million, an increase of ¥2,163 million yen in trade payables and other positive factors. These were exceeded by factors contributing negatively to cash flow including ¥1,749 million in increased sales credits, higher travel deposits of ¥1,545 million and increased corporate and other tax payments of ¥2,188 million.

As a result of the foregoing, consolidated cash flow from operating activities in the interim period under review showed an inflow of ¥1,006 million, an increase of ¥2,891 million compared with the previous interim, due mainly to higher pre-trip deposits of ¥1,928 million, and a decrease in corporate and other tax payments of ¥1,422 million.

Cash flow from investing activities

Cash outflow from investing activities during the interim period was ¥2,820 million. The principal factors contributing positively to investing cash flow were revenues of ¥448 million for the partial sale of stock of KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. through the HIS-HS Kyushu Sanko Investment Limited Partnership, and ¥254 million for the sale of TGR Investment Inc. stock. The principal negative factors contributing negatively were ¥1,268 million acquisition of the land and buildings of Hotel Watermark Brisbane, the ¥733 million investment in KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. and the ¥500 million purchase of Sumitomo Bank's

cash trust for the purpose of asset management.

Cash inflow from investing activities in the previous interim was ¥282 million. The principal factor was income of ¥3,808 million derived from the sale of land and buildings in Tokyo's Ginza district, which exceeded outlays of ¥2,000 million for acquisition of Sanko Soflan Company Inc. corporate bonds and ¥1,000 million for acquisition GMAC International Finance B.V. corporate bonds.

As a result, consolidated investing cash flow in the current interim period recorded an outflow of ¥2,820 million, a decrease of ¥3,103 million from the previous period, driven mainly by higher expenditures of ¥1,234 million for the acquisition of tangible and intangible fixed assets, a decrease in proceeds of ¥3,781 million from the sale of tangible fixed assets and a decrease in payments for acquisition of investment securities of ¥1,740 million.

Cash flow from financing activities

Cash flow from financing activities during the current interim showed an outflow of ¥721 million derived mainly from the Company's dividend payments of ¥584 million and repayment of ¥55 million of long-term borrowings by subsidiaries.

Cash flow from financing activities during the previous interim showed an outflow of ¥542 million. This derived mainly from the Company's dividend payments of ¥501 million.

The ¥721 million yen outflow in the current interim period shows a decrease of ¥179 million compared to the previous interim period. The main contributing factors were an increase in dividend payments of ¥83 million and an increase of ¥49 million for prepayment of long-term borrowings.

(2) Cash flow indices

Recent trends in cash flow-related indices are as follows:

	FY ended October 31, 2004		FY ended October 31, 2005		FY ending Oct. 31, 2006
	End of interim	End of full year	End of interim	End of full year	End of interim
Equity ratio (%)	47.7	43.3	44.7	50.9	49.3
Equity ratio based on market price (%)	106.1	92.1	104.8	102.1	137.4
Debt service coverage (years)	0.1	0.0	—	—	0.2
Interest coverage ratio (times)	406.7	1,235.6	—	—	164.4

Notes:

- A) Equity ratio = Total shareholders' equity/ Total assets
- B) Equity ratio based on market price = Market capitalization/ Total assets
- C) Debt service coverage = Interest-bearing debt/ Operating cash flow
- D) Interest coverage ratio = Operating cash flow/ Interest paid

- * All indices are calculated from consolidated financial results figures.
- * Market capitalization = Market price on last trading day of specified period × total shares outstanding at end of period (excluding treasury stock)
- * Interest-bearing debt is the interest-bearing portion of liabilities recorded on the consolidated balance sheet.
- * Operating cash flow and Interest paid are from the respective parts of the consolidated statements of cash flows.
- * Debt service coverage and the interest coverage ratio are not recorded for the interim periods and end of the fiscal year ending October 31, 2005, as operating cash flow was negative in those periods.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

	<i>Millions of yen</i>					
	As of April 30, 2006		As of April 30, 2005		As of Oct. 31, 2005	
		%		%		%
ASSETS		%		%		%
Current assets						
Cash and deposits.....	30,871		34,655		33,097	
Notes & accounts receivable.....	5,343		3,845		2,965	
Accrued sales receivable.....	8,686		6,755		7,810	
Marketable securities.....	4,948		2,847		3,149	
Deferred tax assets.....	1,322		1,060		1,320	
Travel deposits.....	8,487		6,018		5,933	
Pre-paid expenses.....	720		736		710	
Short-term loans receivable.....	400		390		674	
Other current assets.....	1,072		752		849	
Allowance for doubtful accounts.....	(25)		(72)		(0)	
Total current assets.....	61,827	70.7	56,991	74.4	56,511	69.8
Fixed assets						
Tangible fixed assets						
Buildings and structures.....	4,869		3,938		4,043	
Equipment and fittings.....	816		807		844	
Land.....	1,555		1,126		1,176	
Other fixed assets.....	97		94		96	
Total tangible fixed assets.....	7,338	8.4	5,967	7.8	6,160	7.6
Intangible fixed assets.....	1,631	1.9	1,946	2.5	1,691	2.1
Investments and other assets						
Investments in securities.....	11,625		6,591		11,745	
Long-term loans receivable.....	502		496		532	
Guarantee deposits.....	4,025		3,869		3,912	
Deferred tax assets.....	39		451		39	
Other investments and other assets.....	576		382		423	
Allowance for doubtful accounts.....	(109)		(92)		(86)	
Total investments and other assets.....	16,660	19.0	11,698	15.3	16,566	20.5
Total fixed assets.....	25,630	29.3	19,612	25.6	24,418	30.2
Total Assets.....	87,458	100.0	76,604	100.0	80,929	100.0

	<i>Millions of yen</i>					
	As of April 30, 2006		As of April 30, 2005		As of Oct. 31, 2005	
		%		%		%
LIABILITIES						
Current liabilities						
Notes & accounts payable.....	15,383		18,679		12,862	
Short-term borrowings.....	1		98		41	
Long-term debt to be repaid within one year.....	13		13		13	
Accrued payable.....	797		901		724	
Accrued expenses.....	1,452		1,342		1,279	
Accrued income taxes.....	1,086		1,455		691	
Accrued consumption taxes.....	229		160		298	
Pre-trip deposits.....	19,237		14,502		17,976	
Accrued bonuses.....	1,656		1,461		1,587	
Reserve for losses on liquidation of affiliates.....	—		—		350	
Other current liabilities.....	1,561		1,207		1,252	
Total current liabilities.....	41,420	47.4	39,823	52.0	37,077	45.8
Long-term liabilities						
Long-term debt.....	182		196		234	
Deferred tax liabilities.....	411		9		163	
Accrued employees' retirement benefits.....	990		886		937	
Accrued directors' and statutory auditors' retirement benefits.....	418		383		411	
Other long-term liabilities.....	58		63		62	
Total long-term liabilities.....	2,061	2.3	1,539	2.0	1,809	2.3
Total liabilities.....	43,481	49.7	41,363	54.0	38,886	48.1
MINORITY INTERESTS						
Minority interests.....	900	1.0	969	1.3	834	1.0
SHAREHOLDERS' EQUITY						
Common stock.....	6,882	7.9	6,882	9.0	6,882	8.5
Capital surplus.....	7,782	8.9	7,781	10.1	7,782	9.6
Retained earnings.....	26,406	30.2	19,834	25.9	25,396	31.4
Unrealized holding gains on securities.....	1,308	1.5	19	0.0	945	1.2
Translation adjustments.....	1,550	1.8	589	0.8	1,045	1.3
Treasury stock.....	(853)	(1.0)	(836)	(1.1)	(842)	(1.1)
Total shareholders' equity.....	43,075	49.3	34,271	44.7	41,209	50.9
Total Liabilities, Minority Interests and Shareholders' Equity.....	87,458	100.0	76,604	100.0	80,929	100.0

2. Consolidated Statements of Income

	<i>Millions of yen</i>					
	Interim period ended April 30, 2006		Interim period ended April 30, 2005		FY ended October 31, 2005	
Net sales	148,020	100.0	131,151	100.0	290,593	100.0
Cost of sales	125,268	84.6	110,113	84.0	245,512	84.5
Gross profit.....	22,752	15.4	21,038	16.0	45,081	15.5
Selling, general and administrative expenses	20,066	13.6	19,192	14.6	39,607	13.6
Operating income	2,685	1.8	1,845	1.4	5,473	1.9
Non-operating income						
Interest income	171		93		242	
Foreign exchange gains.....	123		63		280	
Income from equity-accounted affiliates.....	—		346		254	
Miscellaneous income.....	80		74		274	
Total non-operating income	375	0.3	577	0.4	1,052	0.3
Non-operating expenses						
Interest expense	5		3		8	
Loss from equity-accounted affiliates.....	26		—		—	
Addition to allowance for bad debts.....	40		—		—	
Miscellaneous expenses	14		17		33	
Total non-operating expenses	86	0.1	20	0.0	42	0.0
Ordinary income	2,973	2.0	2,402	1.8	6,483	2.2
Extraordinary gains						
Gain on sale of fixed assets	12		1,474		1,499	
Gain on sale of investment securities.....	36		—		—	
Gain on sale of shares of affiliates	49		—		—	
Gain on reversal of reserve for losses on liquidation of affiliates.....	21		—		—	
Profit from changes in equity shares	—		723		1,116	
Others	3		1		29	
Total extraordinary gains	124	0.1	2,199	1.7	2,645	0.9
Extraordinary losses						
Loss on disposal of fixed assets	19		13		66	
Loss on sale of fixed assets	16		1		2	
Loss on redemption of marketable securities.....	—		442		442	
Loss on impairment of fixed assets.....	74		—		—	
Loss on prior period adjustment.....	13		18		—	
Addition to reserve for losses on liquidation of affiliates.....	—		—		350	
Others	6		27		150	
Total extraordinary losses	130	0.1	504	0.4	1,011	0.3
Net income before income taxes.....	2,967	2.0	4,097	3.1	8,117	2.8
Income taxes - current.....	1,164	0.8	1,499	1.1	2,054	0.7
Income taxes - prior.....	2	0.0	1	0.0	(2)	(0.0)
Income taxes - deferred	(0)	(0.0)	(0)	(0.0)	(326)	(0.1)
Minority interests	59	0.0	23	0.0	51	0.0
Net income.....	1,741	1.2	2,572	2.0	6,340	2.2

3. Consolidated Statements of Surplus

	<i>Millions of Yen</i>		
	Interim period ended April 30, 2006	Interim period ended April 30, 2005	FY ended October 31, 2005
Capital surplus			
Capital surplus at beginning of period.....	7,782	7,778	7,778
Increase in capital surplus from:			
Profit from sale of treasury stock	0	2	3
Capital surplus at end of period.....	7,782	7,781	7,782
Retained earnings			
Retained earnings at beginning of period.....	25,396	17,793	17,793
Increase in retained earnings from:			
Net income	1,741	2,572	6,340
Increase in consolidated subsidiaries.....	31	—	—
Decrease in consolidated subsidiaries	—	—	296
Decrease in companies accounted for by the equity method	—	—	1,497
Total increase in retained earnings.....	1,773	2,572	8,134
Decrease in retained earnings from:			
Dividends	584	501	501
Directors' and statutory auditors' bonuses.....	34	29	29
Increase in consolidated subsidiaries	144	—	—
Total decrease in retained earnings.....	763	530	530
Retained earnings at end of period	26,406	19,834	25,396

4. Consolidated Statements of Cash Flows

	<i>Millions of yen</i>		
	Interim period ended April 30, 2006	Interim period ended April 30, 2005	FY ended October 31, 2005
I. Cash flows from operating activities			
Net income before income taxes.....	2,967	4,097	8,117
Depreciation and amortization	565	552	1,186
Amortization of consolidation goodwill	—	351	599
Increase (decrease) in allowance for doubtful accounts	47	(1)	(78)
Increase in accrued bonuses	65	7	131
Increase in accrued employees' retirement benefits.....	51	36	98
Increase in accrued directors' and statutory auditors' retirement benefits	7	36	64
Increase in reserve for losses on liquidation of affiliates	—	—	350
Interest and dividend income	(188)	(127)	(304)
Loss (gain) on equity-accounted affiliates	26	(346)	(254)
Loss (gain) from foreign exchange.....	6	(4)	(80)
Interest expense	5	3	8
Gain on sale of marketable securities	—	—	(1)
Gain on sale of investment securities.....	(36)	—	(11)
Profit from change in equity share	—	(723)	(1,116)
Gain on sale of shares of affiliates	(49)	—	—
Loss on redemption of marketable securities.....	—	442	442
Loss on sale of investment securities.....	0	—	7
Appraisal loss on investment securities	3	27	31
Gain on sale of tangible fixed assets	(12)	(1,474)	(1,499)
Loss on sale of tangible fixed assets	16	1	2
Loss on disposal of tangible fixed assets.....	17	13	66
Other extraordinary losses	39	6	10
Increase in accounts receivable.....	(3,059)	(1,749)	(1,753)
Increase in pre-paid travel deposits	(2,532)	(1,545)	(1,467)
Increase in other assets	(208)	(534)	(576)
Increase (decrease) in notes and accounts payable.....	2,215	2,163	(3,698)
Decrease in accrued consumption taxes	(72)	(391)	(258)
Increase (decrease) in accrued expenses	159	57	(20)
Increase (decrease) in pre-trip deposits.....	1,244	(684)	2,801
Other increase (decrease) in liabilities	348	(51)	(112)
Bonus paid to directors and statutory auditors	(37)	(31)	(31)
Sub-total	1,590	129	2,652
Interest and dividends received	188	177	343
Interest paid	(6)	(4)	(7)
Income taxes paid	(766)	(2,188)	(3,592)
Net cash provided by (used in) operating activities	1,006	(1,885)	(603)
II. Cash flows from investing activities			
Increase in term deposits	(1,512)	(2,454)	(4,186)
Decrease in term deposits	1,545	2,144	3,402
Purchase of marketable securities	(44)	(200)	(403)
Proceeds from sale of marketable securities	—	—	1
Proceeds from redemption of marketable securities	550	580	580
Purchase of tangible and intangible fixed assets	(1,670)	(435)	(1,130)
Proceeds from sale of tangible and intangible fixed assets	32	3,813	3,844

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Purchase of investment securities	(1,559)	(3,300)	(4,412)
Purchase of shares of affiliates	(998)	—	(1,071)
Purchase of shares from minority shareholders	—	—	(130)
Proceeds from sale of investment securities	293	—	293
Proceeds from redemption of investment securities	116	183	183
Proceeds from sale of shares of affiliates and other investments	459	—	2
Increase in loans receivable	(7)	(1)	(10)
Collection of loans receivable	38	39	50
Increase in guarantee deposits	(180)	(318)	(708)
Collection of guarantee deposits	122	223	497
Others	(4)	8	(5)
Net cash provided by (used in) investing activities...	(2,820)	282	(3,202)
III. Cash flows from financing activities			
Increase in short-term borrowings	1	98	140
Repayment of short-term borrowings	(45)	(98)	(197)
Increase in long-term debt	—	—	44
Repayment of long-term debt	(55)	(6)	(13)
Cash dividends paid	(584)	(501)	(501)
Distribution of dividends to minority shareholders	(26)	(15)	(15)
Purchase of treasury stock	(11)	(24)	(31)
Proceeds from sale of treasury stock	0	5	6
Net cash used in financing activities	(721)	(542)	(567)
IV. Effect of exchange rate changes on cash and cash equivalents			
368	(230)	(25)	
V. Decrease in cash and cash equivalents			
(2,168)	(2,375)	(4,399)	
VI. Cash and cash equivalents at beginning of period			
32,557	37,003	37,003	
VII. Cash and cash equivalents from newly consolidated subsidiaries at beginning of period			
79	—	—	
VIII. Decrease in cash and cash equivalents resulting from exclusion from consolidation			
—	—	(46)	
IX. Cash and cash equivalents at end of period			
30,468	34,627	32,557	