



## **Consolidated Financial Results**

### **For the Fiscal Year Ended October 31, 2009**

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

## Summary of Consolidated Financial Results For the Fiscal Year Ended October 31, 2009

### 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:	Narimoto Kusuhara, Managing Director
Telephone:	+81-3-5908-2070
Scheduled date of annual shareholders' meeting:	January 27, 2010
Date of Dividend Payment:	January 28, 2010
Scheduled date of filing annual report:	January 28, 2010

## 1. Consolidated Financial Results (November 1, 2008 – October 31, 2009)

### (1) Consolidated Operating Results

	<i>Millions of Yen</i>			
	Fiscal Year Ended October 31,			
	2009	%	2008	%
Net Sales.....	325,086	(11.8)	368,384	1.7
Operating Income.....	7,137	20.9	5,902	(7.2)
Ordinary Income.....	5,582	(10.0)	6,204	(17.4)
Net Income .....	3,371	35.5	2,487	(45.0)
Net Income per Share (yen).....	103.97		75.91	
Net Income per Share, Diluted (yen).....	—		—	
Return on Equity (ROE) .....	7.3%		5.4%	
Ordinary Income to Total Assets Ratio.....	5.6%		6.1%	
Operating Income to Net Sales Ratio .....	2.2%		1.6%	
Notes: Equity of earnings in affiliates:	Full year ended October 31, 2009		420 million yen	
	Full year ended October 31, 2008		313 million yen	

### (2) Consolidated Financial Position

	<i>Millions of Yen</i>	
	As of October 31,	
	2009	2008
Total Assets.....	96,600	103,746
Net Assets.....	48,059	45,210
Shareholders' Equity Ratio .....	49.1%	43.2%
Net Assets per Share (yen).....	1,462.71	1,381.81
Notes: Shareholders' equity (consolidated):	As of October 31, 2009:	
	As of October 31, 2008:	
	47,432 million yen	
	44,810 million yen	

### (3) Consolidated Cash Flows

	Millions of Yen	
	Fiscal Year Ended October 31,	
	2009	2008
Cash Flows from Operating Activities .....	1,640	5,392
Cash Flows from Investing Activities.....	5,528	(11,035)
Cash Flows from Financing Activities.....	(642)	(1,636)
Cash and Cash Equivalents at End of Year.....	35,070	31,080

### 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			
FY2008	0.00	24.00	24.00	778	31.6	1.4
FY2009	0.00	24.00	24.00	778	23.1	1.7
FY2010 (Forecast)	0.00	24.00	24.00	—	19.0	—

### 3. Consolidated Forecast for the Fiscal Year Ending October 31, 2010

	Millions of Yen			
	Interim ended April 30, 2009		FY ended October 31, 2009	
	Sales	Profit	Sales	Profit
Net Sales.....	170,000	2.3%	363,000	11.7%
Operating income .....	4,500	9.3%	7,800	9.3%
Ordinary Income .....	3,550	(3.9%)	7,400	32.6%
Net Income .....	2,300	(2.1%)	4,100	21.6%
Net Income per Share (Yen) .....	70.93		126.43	

### 4. Additional Notes

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

New:

Yes

No Companies

Excluded:

1 (ATB Co., Ltd.)

(2) Changes in principles, procedures and presentation of accounting treatment in preparing consolidated financial statements: (i) Changes resulting from revisions to accounting standards, etc.:

Yes

(ii) Changes other than (i):

Yes

(3) Number of shares issued (common shares)

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

As of October 31, 2009

34,261,468 shares

As of October 31, 2008

34,261,468 shares

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

As of October 31, 2009

1,833,472 shares

As of October 31, 2008

1,832,237 shares

## 5. Non-consolidated Financial Results (November 1, 2008 – October 31, 2009)

### (1) Non-consolidated Operating Results

	Millions of Yen			
	Fiscal Year Ended October 31,			
	2009	%	2008	%
Net sales .....	295,492	(9.2)	325,428	2.5
Operating Income.....	5,468	31.2	4,169	(11.5)
Ordinary Income.....	3,319	(19.6)	4,130	(23.0)
Net Income .....	1,652	—	(930)	—
Net Income per Share (yen).....	50.96		(28.41)	
Net Income per Share, Diluted (yen).....	—		—	

### (2) Non-consolidated Financial Position

	Millions of Yen	
	As of October 31,	
	2009	2008
Total Assets .....	85,243	90,762
Net Assets .....	40,971	37,156
Shareholders' Equity Ratio.....	48.1%	40.9%
Net Assets per Share (yen) .....	1,263.46	1,145.77
Note: Shareholders' equity:	Fiscal year ended October 31, 2009:	40,971 million yen
	Fiscal year ended October 31, 2008:	37,156 million yen

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

## I. Operating Results and Financial Position

### 1. Operating Results

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

During the current fiscal year, even though numerous types of economic stimulus measures were implemented, Japan faced harsh economic conditions since corporate profits, particularly among exporters, dramatically declined as economic conditions throughout the world worsened, which started with the U.S. financial crisis last fall, and this led to a deterioration in the employment environment and a fall in personal consumption.

Within the travel industry, for overseas travel, there was a continuing overall downward trend in the number of Japanese who travel abroad, with the projected number between November 2008 and October 2009 falling about 5.3% (around 861,000 people) year on year to 15,408,000 people according to the Japan National Tourism Organization (JNTO). This was because even though overseas travel was boosted by not only the dramatic reduction and then elimination of fuel surcharges since the spring of 2009 but also the continuing appreciation of the yen, overseas travel was negatively impacted by stagnant business sentiment and the H1N1 swine flu, and Silver Week, a series of consecutive holidays in September, failed to generate a recovery.

Under these business conditions, the Group developed various sales strategies including actively communicating appropriate information to not only its main customer groups- individual travelers, young travelers, and seasoned travelers- but also other customer groups, including corporate/group travelers, seniors, and the wealthy, so that more customers, even if only a few more, are able to enjoy overseas travel with peace of mind.

· Sales of Airline Tickets and Package Tours - Numerous measures were implemented so that customers could gain a sense that travel was a "bargain", and these measures included the January First Dream Fair, which has become a New Year's tradition, the March H.I.S. Overseas Travel Support Campaign (proposals to increase the number of customers traveling abroad that make use of the benefits of the stronger yen, lower fuel surcharges, and fixed cash benefits paid by the government), the May H.I.S. Super Bazaar (which clearly stresses that travel in early summer is a bargain and was developed in response to announcements by many airlines that fuel surcharges for flights departing in April and later would be substantially cut), and the Final Summer memorial sale, which was introduced to commemorate the twenty-year anniversary of Ciao and the ten-year anniversary of Impresso (2009 is the twenty-year anniversary of the introduction of Ciao, the Group's major package tour brand, and the ten-year anniversary of the introduction of Impresso, the Group's brand of package tours with a guide). In addition, the Group launched the Travel Consultation Van in May and is working to improve convenience for customers who are thinking of traveling abroad using opportunities provided by sponsoring events in various regions, and these efforts are centered on regions that the Group has not already opened sales offices in.

· New Product Development - The Group introduced two new series of products under the brand names

Ciaopresso and PREMIUM Ciao. This year, 2009, is the twenty-year anniversary of the introduction of the Ciao brand, the Group's main brand of package tours, and the year is being commemorated with the launch of two new brands: Ciaopresso, a series of products that provide travel possibilities that are unique to each individual countries; PREMIUM Ciao, a series of products that provide high quality and meticulous service. In addition, 2009 is the ten-year anniversary of the introduction of the Impresso brand of products (package tours with a guide), and in commemoration of this, new products, including special programs, particularly to Europe, were introduced, which include activities such as renting out famous tourist-sites.

- Corporate / Group Travel - The Group has aggressively worked to open offices not only in major metropolitan areas but also areas that are expected to see an increase in demand and to deepen customers' understanding of the company. In addition, there is movement among corporate customers to review business trip expenses due to the harsh economic conditions this year, which is a good opportunity for the Group to capture contracts with corporate customers.

- Online Travel Sales - Based on the idea that the most important goal is to make it even easier for customers to freely make their plans, the Group has undertaken various efforts including strengthening its online reservations functions and creating a specialized website for the sale of auxiliary travel products such as optional tours. One example of the Group's continuing efforts to make improvements are the touch-panel reservations terminals that have been newly introduced. In addition, the new service Tabi-Navi was introduced, and the service makes it possible for customers to access local information using their mobile phones at travel destinations.

- Overseas Networks - The Group continued to expand its network of overseas offices and worked to raise awareness regarding improving quality and profitability, which included raising the level of services at all overseas offices and strengthening the purchase of hotel rooms. Furthermore, efforts related to overseas travel arrangement operations that target local residents are being made to further globalize the Group, which, of course, not only involves strengthening sales at existing offices but also establishing new offices in locations such as Delhi, India, and Manila, Philippines.

- Overall Domestic Travel was firm. A full online reservation system was launched for day and overnight bus tours, and online reservations have found support among a wide range of ages, from young customers to seniors.

As a result of implementing the various measures discussed above, the Group was able to substantially increase its share of Japanese passengers heading overseas to an estimated 18.0% from the 15.0% year on year. However, in addition to leisure demand among customers being concentrated on "cheap, close, and short" trips, which include destinations such as Korea that have a strong feeling of being a "deal", net sales were impacted by the H1N1 swine flu, which a growing number of people have become infected with since the latter part of April, and the dramatic reduction in fuel surcharges. As a result, net sales for the travel business during the fiscal year regrettably shrank 11.6% year on year to 323,339 million yen. On the other hand,

operating income increased 24.4% year on year to 10,602 million yen for various reasons including the dramatic increase in the Group's share of Japanese traveling overseas and further benefits of efforts to strengthen the cost management system, which have been centered on efforts to review product development.

The Group operates two hotels in Australia, and the occupancy rates, particularly among corporate clients, for the hotel on the Gold Coast and the one in Brisbane declined. In addition to this, the appreciation of the yen impacted the translation of earnings into yen. Therefore, net sales declined 30.7% year on year to 1,749 million yen, and operating income shrank 86.8% to 31 million yen.

While consolidated net sales declined 11.8% year on year to 325,086 million yen, consolidated operating income rose 20.9% to 7,137 million yen. However, as a result of non-operating expenses related to forward exchange contracts, ordinary income fell 10.0% year on year to 5,582 million yen and net income grew 35.5% year on year to 3,371 million yen.

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

Economic conditions in Japan are expected to remain severe for the time being due to the impact of the global economy. The outlook for the travel industry also remains uncertain because of the trend among consumers to economize and business sentiment.

Under these conditions, within the travel business, the Group's core segment, the Group considers overseas independent travel its main product type and will strive to further improve product quality and service and will actively provide customers with information so that more customers, even if only a few, are able to enjoy overseas travel with peace of mind. In terms of improving service and product quality, a Quality Control Committee will be created in house, quality control will be managed on a customer basis, and efforts will be made to maintain and improve the system. In addition to continuing to aggressively open new stores, the Group will review its network of stores from a productivity perspective.

- Sales of Airline Tickets and Package Tours - The Group is pursuing both price advantage in terms of airline tickets and its original added value services such as its capacity to arrange travel and overseas support system. In addition to developing cost-appealing products for the Ciao product line, the Group's main product line, the Group will also expand its two new product lines- Ciaopresso and PREMIUM Ciao. The Group expanded its independently developed products of tours with guides, which were mainly created for Europe, increased the brand recognition of Impresso among the wealthy and seniors, for the number of whom travel will increase, and strengthen efforts to attract customers. In addition, the Group will expand its planned products that clearly target particular customer groups and work on various efforts including meeting detailed needs.
- Corporate / Group Travel - The Group accelerated its expansion to not only major metropolitan areas but also local areas that are projected to experience growth in business demand. Appeals are being based on the price advantage and the airline ticket delivery capabilities that H.I.S. has built up, and the Group is

working to develop new customers as well as develop human resources who can play such roles, with a view to expanding the scale of operation.

- Online Sales - The Group will strengthen the business as an important sales and marketing channel. While increasing the number of products that can be used with online and mobile services, the Group will create a product distribution network. Furthermore, the Group will move forward with increasing customer convenience and raising the added value of its whole website so that the Group can more easily support the travel of its customers using information that is only available over the Internet.
- Overseas Development - The Group continues to move forward with developing its global network. Moreover, the Group is improving the purchasing functions for items such as hotel rooms and services for customers from Japan, and is taking active steps on various fronts, including developing new tourist areas and products. Preparations have also been launched, particularly in Asia, to provide non-Japanese customers with travel services for trips that depart locally. In addition to cultivating human resources that can globally contribute to the Group, the Group will actively develop travel arrangement operations that make use of overseas offices and will go forward with preparations to become a global travel company.

In the hotel business, the Group is working to ensure earnings from its two hotels located on the Gold Coast and in Brisbane, Australia, and the Watermark Sapporo, the Group's first hotel in Japan which launched operation in December 2008.

## **2. Financial Position**

### **(1) Overview of Assets, Liabilities, and Net Assets**

Total assets as of the end of the consolidated fiscal year fell by 7,145 million yen from the end of the previous consolidated fiscal year to 96,600 million. This was mainly the result of cash and cash equivalents declining 5,924 million yen year on year and deferred tax assets falling 2,544 million yen.

Liabilities at the end of the consolidated fiscal year fell by 9,994 million yen compared with the end of the previous consolidated fiscal year to 48,541 million yen. This was chiefly the result of operating accounts payable declining 3,701 million yen, forward exchange contracts shrinking 3,614 million yen, and pre-trip deposits falling 3,367 million yen.

Net assets as of the end of the consolidated fiscal year increased by 2,849 million yen over the end of the previous consolidated fiscal year to 48,059 million yen. This was primarily because net assets declined 3,082 million yen due to translation adjustments, retained earning rose 2,713 million yen as a result of the recording of net income, and losses on hedges shrank 2,409 million yen.

### **(2) Overview of Consolidated Cash Flows in the Fiscal Year Ended October 31, 2009**

The balance of cash and cash equivalents as of the end of the consolidated fiscal year rose by 3,989 million yen over the end of the previous consolidated fiscal year to 35,070 million yen.



Cash inflow from operating activities for the consolidated fiscal year was 1,640 million yen.

Cash inflow from investing activities for the current consolidated fiscal year was 5,528 million yen.

Cash outflow from financing activities for the current consolidated fiscal year was 642 million yen.

#### **Cash flow from operating activities**

Cash inflow from operating activities for the consolidated fiscal year was 1,640 million yen. While 5,329 million yen in net income before taxes and an increase in pre-paid travel deposits of 1,129 million yen boosted the cash flow, a decline in both notes and accounts payable (trade) of 2,596 million yen and pre-travel deposits of 2,516 million yen weighed down the cash flow.

For the previous fiscal year, net cash provided by operating activities totaled 5,392 million yen. This was primarily due to the recording of 2,600 million yen in net income before taxes, an increase in pre-travel deposits of 945 million yen, and a decrease in notes and accounts receivable (trade) of 719 million yen.

As a result, the net cash flow from operating activities declined 3,752 million yen year on year.

#### **Cash flow from investing activities**

Cash inflow from investing activities for the current consolidated fiscal year was 5,528 million yen. Proceeds from the withdrawal of time deposits of 12,194 million yen and 6,905 million yen in proceeds from the collection of guarantee deposits positively affected the cash flow, but 8,587 million yen for the payment of guarantee deposits, 2,892 million yen for the purchase of time deposits, and 1,739 million yen for the purchase of tangible and intangible fixed assets negatively affected the cash flow.

For the previous fiscal year, net cash used for investing activities totaled 11,035 million yen. While 3,644 million yen in proceeds from the withdrawal of time deposits and 2,931 million yen in proceeds from the sale of marketable securities and redemption of investment securities boosted the cash flow, 13,354 million yen for the purchase of time deposits and 3,738 million yen for the purchase of marketable securities and investment securities weighed down the cash flow.

As a result, net cash flow from investing activities increased 16,564 million yen year on year.

#### **Cash flow from financing activities**

Cash outflow from financing activities for the current consolidated fiscal year was 642 million yen. This was mainly due to the payment of 778 million yen in dividends.

For the previous fiscal year, net cash used for financing activities totaled 1,636 million yen, which was primarily because of 961 million for the purchase of treasury shares and the 661 million yen for the payment of dividends.

As a result, net cash flow from financing activities grew 994 million yen year on year.

### Cash flow indices

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

	FY 10/2009	FY 10/2008	FY 10/2007	FY 10/2006	FY 10/2005
Equity ratio (%)	49.1	43.2	47.5	47.3	50.9
Equity ratio based on market price (%)	65.7	43.9	71.5	101.0	102.1
Debt service coverage (%)	21.9	3.9	3.4	2.0	—
Interest coverage ratio (times)	653.5	754.9	577.7	978.9	—

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 end of the fiscal year ending October 31, 2005, as operating cash flow was negative in that period.

## 3. Allocation of profits

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

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

### (2) Basic approach to dividends

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

### (3) Utilization of internal capital reserves

In addition to preparing for sudden changes in the travel industry and competition and reorganization within the industry and making active investments in the IT business, there is a greater need to respond to unexpected external factors such as recent terrorism, H1N1 swine flu and sudden phenomena that the Group's customer encounter. Under these conditions, there is a strong awareness (of the importance) of creating a stable

financial base that can be realized immediately and there is a desire to keep internal reserves relatively thick and stabilize the business foundation.

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

#### **4. Business and Other Types of Risk**

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

The matters pertaining to the future noted in this section were those determined by the Group as of the announcement date of the financial statement (December 16, 2008). Business and other risks are not limited to these risks.

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

The travel business comprises 99.5% of group sales by segment; sales by region are also concentrated in Japan, at 95.1%. Changes in the environment for the travel business in Japan therefore have the potential to affect the Group's financial status, operating results, etc.

##### **(2) Changes in Fuel Surcharges**

Parent sales, which were affected by an increase in fuel surcharges associated with the sharp rise in crude oil prices, accounted for 90.9% of group sales, and overseas travel comprised 93.1% of parent sales. The company is currently adding a fuel surcharge to overseas travel fares to reflect the change in crude oil prices. A sharp increase in this fuel surcharge could dampen overall demand and adversely affect the financial condition and business results of the Group.

##### **(3) Share of Travel to Asia Handled**

Asia comprises the greatest share of the number of overseas travelers from Japan handled by the Group according to destination, at 61.0% (comprising 40.3% of sales). This percentage is nearly the same as the number of travelers by destination for Japanese people overall. Operating results could be greatly influenced by changes in the external environment for the destinations in question (terrorism, infectious diseases, natural disasters, etc.).

##### **(4) Competition with Other Competitors, Direct Sales by Suppliers**

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

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

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

**(6) Fluctuations in the Valuation of Owned Assets such as Securities**

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

**(7) Exchange Rate Fluctuations**

The Group conducts business in foreign currencies and therefore incurs income and expenses as well as assets and liabilities in foreign currencies as a result. The Group hedges risk through forward exchange contracts and other instruments to mitigate the impact of exchange rate fluctuations.

If the yen appreciates beyond the contracted exchange rate, the Group may have to purchase foreign currency at the contracted exchange rate. As a result, without some of the benefits of an improvement in income due to the strengthening of the yen being reflected, the Group's financial position and earnings could be affected.

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

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

The travel business comprises 99.5% of group sales by segment. Therefore, if an infectious disease were to break out and spread throughout the world including Japan and there were a sudden decline in the desire for global travel, this could negatively impact the financial position and earnings of the Group.

**(9) Risk of External Factors Surrounding the Travel Business**

Other than the above, risk of external factors surrounding the travel business include changes in the world situation such as terrorism, war, and other events; occurrence of infectious diseases, etc; and global disorder as a result of sudden changes in exchange rates. The Group's financial position and earnings could be affected.

## II. 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., 55 subsidiaries and 9 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 following regions. Consolidated subsidiaries carry out travel-related business in the various business segments.

#### Subsidiaries (48)

Japan	Asia / Oceania
No. 1 Travel Shibuya Co., Ltd. <sup>1</sup> H.I.S. Okinawa Co., Ltd. <sup>1</sup> Orion Tour Co., Ltd. <sup>1</sup> Passeport Co., Ltd. Ohshu Express Ltd <sup>1</sup> Cruise Planet Co., Ltd. <sup>1</sup> H.I.S Experience Japan CO., LTD. <sup>1</sup>	H.I.S. (HONG KONG) COMPANY LIMITED <sup>1</sup> H.I.S. WESTRALIA PTY LTD. <sup>1</sup> H.I.S. AUSTRALIA PTY. LTD. <sup>1</sup> H.I.S. KOREA CO., LTD. <sup>1</sup> H.I.S. INTERNATIONAL TRAVEL PTE LTD. <sup>1</sup> PT. HARUM INDAH SARI TOURS AND TRAVEL <sup>1</sup> H.I.S. INTERNATIONAL TOURS KOREA INC. <sup>1</sup> H.I.S. TOURS CO., LTD. <sup>1</sup> HIS MONGOLIA LLC (Previously MAPTOUR MONGOLIA LLC) Japan H.I.S.Tours Pvt Ltd H.I.S. (HAINAN) INTERNATIONAL TRAVEL SERVICE CO., LTD H.I.S. MALDIVES TRAVEL PTE LTD <sup>1</sup> H.I.S. TRAVEL (MALAYSIA) SDN BHD <sup>1</sup> HIS (FIJI) LIMITED <sup>1</sup> H.I.S. (Cambodia) Travel Co., Ltd. <sup>1</sup> H.I.S. (MACAU) TRAVEL COMPANY LIMITED <sup>1</sup> H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD. <sup>1</sup> H.I.S. Travel (India) Private Limited. <sup>1</sup> H.I.S. Travel (U.A.E) L.L.C. <sup>1</sup> H.I.S. –SONG HAN VIETNAM TOURIST COMPANY LIMITED. <sup>1</sup> H.I.S. (PHILIPPINES) TRAVEL CORP.

Americas	Europe / Africa
H.I.S. U.S.A. Inc. <sup>1</sup> H.I.S. INTERNATIONAL TOURS (NY) INC. <sup>1</sup> H.I.S. TOURS USA, INC. <sup>1</sup> HAWAII HIS CORPORATION <sup>1</sup> H.I.S. TOURS (NEVADA) INC. <sup>1</sup> H.I.S. INTERNATIONAL TOURS (CARIBBEAN) LTD. <sup>1</sup> H.I.S. CANADA INC. <sup>1</sup> H.I.S. GUAM, INC. <sup>1</sup> H.I.S. SAIPAN, INC. <sup>1</sup> H.I.S. CANCUN S.A. DE C.V. <sup>1</sup>	H.I.S. Deutschland Touristik GmbH. <sup>1</sup> H.I.S. INTERNATIONAL TOURS FRANCE S.A.R.L. <sup>1</sup> H.I.S. EUROPE ITALY S.R.L. <sup>1</sup> H.I.S. Travel Switzerland AG H.I.S. EUROPE LIMITED <sup>1</sup> VIAJES H.I.S. MADRID S.A. <sup>1</sup> H.I.S. (Austria) Travel GmbH H.I.S. Travel Nederland B.V.i.o. H.I.S. TRAVEL EGYPT H.I.S. Uluslararası Turizm Seyahat Acentasi Limited Sirketi

#### Affiliated Companies (4)

Americas	Europe
H.I.S. INTERNATIONAL TOURS(L.A.), INCORPORATED. <sup>2</sup>	NEW WORLD TRAVEL INTERNATIONAL PTY. LTD. H.I.S. TRAVEL (NEW ZEALAND) LIMITED H.I.S. TAIWAN COMPANY LIMITED <sup>2</sup>

Notes: 1. Consolidated subsidiary 2. Equity-method affiliate

The subsidiary, H.I.S. U.S.A., Inc. is an equity affiliate that holds shares in H.I.S. INTERNATIONAL TOURS (NY) 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. This subsidiary is included in the results by segment under the travel business.

During the current fiscal year, H.I.S. INTERNATIONAL MANAGEMENT PTE. LTD., H.I.S. MALDIVES TRAVEL PTE LTD, H.I.S. TRAVEL(MALAYSIA) SDN BHD., H.I.S. (Cambodia) Travel Co., Ltd., H.I.S. (MACAU) TRAVEL COMPANY LIMITED, H.I.S. Travel (India) Private Limited., H.I.S. –SONG HAN VIETNAM TOURIST COMPANY LIMITED. and H.I.S. Travel (U.A.E.) L.L.C. became a consolidated subsidiary.

During the current fiscal year, the Company purchased shares in Ohshu Express Ltd and turned it into a consolidated subsidiary. The consolidated subsidiary (specified subsidiary) ATB Co., Ltd., was dissolved and liquidated during the current fiscal year.

H.I.S. TRAVEL EGYPT, which was established as a subsidiary during the current fiscal year, was excluded from the scope of consolidated and equity method application and is not included in business segment information.

## **(2) Hotel Business**

The Group operates a hotel business and other ancillary businesses in Australia and other countries.

H.I.S. Investments Pty. Ltd. and WHG Investments Brisbane Pty. Ltd. in Australia own hotels on the Gold Coast and in the city of Brisbane; the management of those hotels has been consigned to The Watermark Hotel Group Pty. Ltd. L'Mark Pty. Ltd. provides food service in hotels.

SIPADAN WATER VILLAGE AND TOURS SDN. BHD. in Malaysia also engages in the hotel business in Sabah Province.

WATERMARK HOTEL JAPAN CO., LTD. is preparing to operate a hotel business and other ancillary businesses.

<b>Subsidiaries</b>	<b>Affiliated Companies</b>
H.I.S. INVESTMENTS PTY LTD. <sup>1</sup> THE WATERMARK HOTEL GROUP PTY LTD. <sup>1</sup> WATERMARK HOTEL JAPAN CO., LTD. H.I.S. AUSTRALIA HOLDINGS PTY LTD. <sup>1</sup> WHG Investments Brisbane Pty. Ltd. <sup>1</sup> L' Mark Pty. Ltd. <sup>1</sup>	SIPADAN WATER VILLAGE AND TOURS SDN BHD.

Note: 1. Consolidated subsidiary

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.

**(3) Other Businesses**

KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. operates long-distance and tour bus businesses.

EAST ASIA STRATEGIC HOLDINGS LTD. operates a consulting business.

800th Anniversary of the Mongolian States LLP. is engaged in the planning and management of events.

H.I.S. PROPERTIES PTY LTD., which previously sold condominiums on the Gold Coast, ceased operations after selling all the properties it owned.

H.S. insurance Co., Ltd., handles casualty insurance, centered on overseas travel insurance.

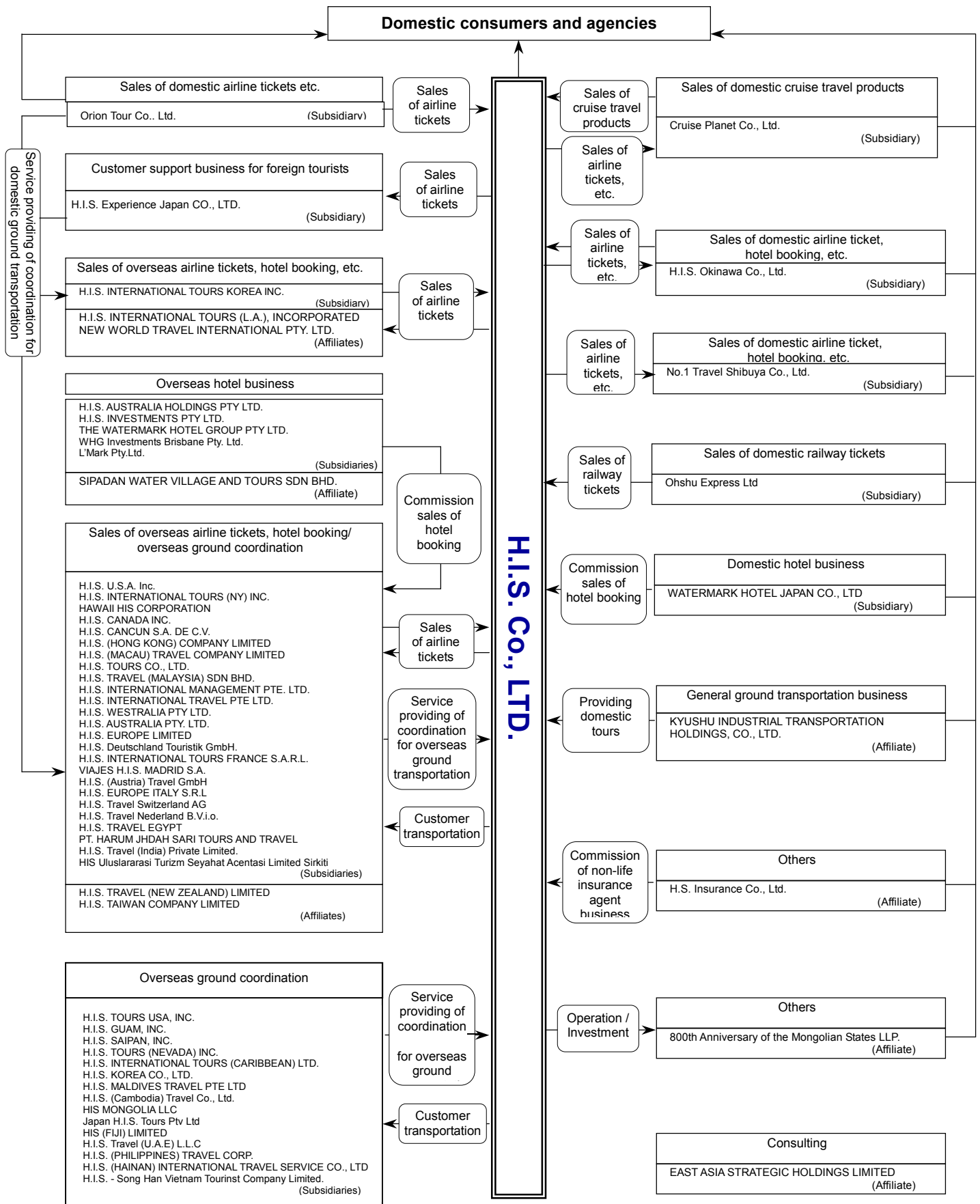
Subsidiaries	Affiliated Companies
H.I.S. PROPERTIES PTY LTD.	KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD. <sup>1</sup>  EAST ASIA STRATEGIC HOLDINGS LTD.  800th Anniversary of the Mongolian States LLP.  H.S. insurance Co., Ltd. <sup>1</sup>

Note: 1. Equity-method affiliate

During the current fiscal year, the Company acquired additional shares of H.S. insurance, which was accounted for as an equity-method subsidiary.

During the current consolidated period, a total of 12 subsidiaries and 5 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 table following illustrates Group operating relationships.





### III. Management Policy

#### **(1) Basic management policy**

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

#### **(2) Management goals and indicators**

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

#### **(3) Medium- to long-term business strategy**

Through focusing our Group's business resources on our core travel business, we aim to establish an advantage in the travel market. Stronger efforts based on an awareness of the importance of greater productivity and operational efficiency, such as developing new sales channels that actively make use of IT such as the Internet, will be undertaken. The Group is working to increase convenience of customers and is aiming to become a travel company that continues to be trusted and supported. Details are provided below.

##### **• Improving brand strength (Increasing share of overseas travel)**

We are implementing new policies to capture more of the market for overseas departures from Japan by value and volume to take the top share of this market. While strengthening the field of individual travel and the youth market, which are the Group's core clients built up to now, the Group is generating and increasing brand awareness and is pursuing greater merits of scale through the development of new markets that are projected to grow, such as for corporate/group travel and seniors. In addition, stronger partnerships with suppliers will be built, purchasing will be strengthened, and dominant sales abilities will be developed.

##### **• Strengthening and expanding Internet business**

At a time when the importance of the Internet is growing each year, the Group will create a website that is highly usable from the perspective of customers, will develop products that meet customer needs, and is aiming to construct the number one website in the industry. While also expanding the product distribution

network using online and mobile communications, the Group will work on new possibilities, such as providing services that meld offices with the Internet.

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

As for corporate/group travel, the Group accelerated its expansion to not only major metropolitan areas but also local areas that are projected to experience growth in business demand. Appeals are being based on the price advantage and the airline ticket delivery capabilities that H.I.S has built up, and the Group is working to develop new customers as well as develop human resources who can play such roles, with a view to expanding the scale of operation.

- **Strengthening efforts related Travel Sales over the Internet**

As the importance of the Internet grows yearly, the Company will create an easy-to-use website from a customer perspective and develop travel products that meet the needs (of customers). In addition, the Company will strive to make use of new possibilities that actively incorporate mobile functions while further strengthening online reservations.

- **Strengthening global expansion**

The Group is focusing on the continued development of the business in the medium and long term and will work to expand the travel business in addition to expanding sales, centered on Japan. Efforts will be made to expand the network of local offices overseas, to further expand the provision of products, and information and the support system for customers visiting each region, and to differentiate the Group from its rivals. In addition, the Group will move forward with preparations to provide overseas travel to customers in the local market of each country, particularly within Asia. Prepared travel that makes use of overseas offices will actively be developed, and the goal is to transform the company into a global travel company.

Furthermore, the Group will fully enter the market for travel to Japan, which is expected to continue to grow through the government's Visit Japan campaign. Aiming to construct a new earnings base, the Group will strengthen its efforts related to travel to Japan provided by domestic sections and subsidiaries.

#### **(4) Key issues**

For fiscal 2009, the number of Japanese departing from Japan is expected to fall dramatically short of the figure for the previous fiscal year and stagnate. The situation will likely be affected by various factors including Japanese economic trends and external factors, and the future is not expected to look optimistic. Under these conditions, the following are the major issues related to the travel business to be dealt with by the Group:

- **Meeting diverse customer needs**

The travel needs of customers are becoming more diverse, and there is growing demand for products with a high degree of freedom and that let travelers travel in their own style. The Group is aiming not only to expand the breadth of its product lineup but also to realize other goals such as strengthening personal service so that

the most appropriate travel recommendations can be made that meet customer needs and further expanding comfortable and safe travel support system at overseas destinations.

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

As a travel company, the Group recognizes that striving to improve safety, peace of mind, and quality is the most important factor to win the support of customers in the future. Active efforts will be made on various fronts including constructing unique products that take into consideration travel itineraries reflecting opinions from customers and local travel guides and examining the safety of local hotels and tourist sites, and work will be undertaken to provide travel products and information that continue to be satisfying.

- **The rise of other major travel companies and online agents**

There has been a steady increase in other major travel companies and Internet ticket sales through specialized travel agencies. The Group will ascertain the trends of the industry and rivals and implement efforts related to business and sales such as developing products and handling customers that always take into account top speed and is aiming to win a firm share of the market.

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

The Group recognizes the importance of continually capturing and developing top human resources who are able to respond to international competition and is working to strengthen its recruiting and training activities. At a time of growing diversity in travel needs and age groups of travelers, it is considered important to improve the knowledge of staff and the quality of both customer contact and services. The Group considers expanding the education and training of staff a priority issues and is working to do so.

## **(5) Other important matters in company management**

No other matters.

## IV. Consolidated Financial Statements

### 1. Consolidated Balance Sheets

	<i>Millions of yen</i>	
	As of Oct. 31, 2009	As of Oct. 31, 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits .....	37,630	43,555
Accounts receivable-trade .....	5,342	5,652
Operating accounts receivable.....	9,951	9,683
Short-term investment securities.....	1,293	1,038
Travel advance payments.....	8,977	10,336
Pre-paid expenses .....	919	856
Deferred tax assets.....	3,434	5,684
Short-term loans receivable .....	223	45
Short-term loans receivable to subs.and affiliates.....	44	69
Accounts receivable-other .....	1,318	—
Other.....	1,509	2,019
Allowance for doubtful accounts .....	(22)	(29)
<b>Total current assets.....</b>	<b>70,622</b>	<b>78,911</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings .....	7,179	8,218
Accumulated depreciation .....	(2,447)	(2,620)
Buildings, net.....	4,731	5,597
Tools, furniture and fixtures .....	3,379	3,469
Accumulated depreciation .....	(2,522)	(2,675)
Tools, furniture and fixtures, net.....	856	794
Land.....	1,328	1,742
Other.....	308	300
Accumulated depreciation .....	(183)	(196)
Other, net .....	125	104
<b>Total property, plant and equipment.....</b>	<b>7,041</b>	<b>8,238</b>
<b>Intangible assets.....</b>	<b>2,094</b>	<b>1,487</b>
<b>Investments and other assets</b>		
Investment securities .....	4,822	4,922
Stocks of subsidiaries and affiliates .....	3,620	3,131
Investments in capital of subs. and affiliates.....	14	27
Long-term loans receivable.....	288	403
Long-term loans receivable from subs. and affiliates..	1,045	1,020
Long-term prepaid expenses .....	—	19
Deferred tax assets.....	650	944
Guarantee deposits.....	6,069	4,549
Other.....	511	232
Allowance for doubtful accounts .....	(182)	(143)
<b>Total investments and other assets.....</b>	<b>16,841</b>	<b>15,109</b>
<b>Total non-current assets .....</b>	<b>25,977</b>	<b>24,835</b>
<b>Total assets .....</b>	<b>96,600</b>	<b>103,746</b>

	<i>Millions of yen</i>	
	As of Oct. 31, 2009	As of Oct. 31, 2008
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable .....	12,660	16,362
Short-term loans payable .....	186	—
Current portion of long-term loans payable.....	0	158
Accrued payable-other.....	902	966
Accrued expenses .....	1,703	1,586
Income taxes payable.....	722	289
Accrued consumption taxes.....	74	362
Travel advance received.....	21,558	24,926
Provision for bonuses .....	2,371	2,114
Provision for directors' bonuses.....	72	53
Provision for travel fund interests.....	1	3
Forward exchange contracts.....	4,149	7,763
Other.....	1,892	1,916
<b>Total current liabilities .....</b>	<b>46,297</b>	<b>56,504</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable .....	140	50
Deferred tax liabilities.....	13	3
Provision for retirement benefits .....	1,491	1,425
Provision for directors' retirement benefits.....	368	418
Provision for travel fund interests.....	3	2
Other.....	226	132
<b>Total noncurrent liabilities .....</b>	<b>2,244</b>	<b>2,032</b>
<b>Total liabilities .....</b>	<b>48,541</b>	<b>58,536</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock .....	6,882	6,882
Capital surplus .....	7,782	7,782
Retained earnings.....	37,660	34,946
Treasury stock .....	(2,521)	(2,519)
<b>Total shareholders' equity .....</b>	<b>49,803</b>	<b>47,092</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities.....	401	(181)
Deferred gains or losses on hedges .....	(2,173)	(4,582)
Foreign currency translation adjustment.....	(599)	2,483
<b>Total valuation and translation adjustments .....</b>	<b>(2,370)</b>	<b>(2,281)</b>
Minority interests.....	626	399
<b>Total net assets.....</b>	<b>48,059</b>	<b>45,210</b>
<b>Total liabilities and net assets .....</b>	<b>96,600</b>	<b>103,746</b>

## 2. Consolidated Statements of Income

	<i>Millions of yen</i>	
	FY ended Oct. 31, 2009	FY ended Oct. 31, 2008
<b>Net sales</b> .....	325,086	368,384
Cost of sales .....	269,130	315,874
Gross profit .....	55,955	52,510
Selling, general and administrative expenses.....	48,817	46,607
Operating income.....	7,137	5,902
<b>Non-operating income</b>		
Interest income .....	609	824
Commission fee .....	1	1
Equity in earnings of affiliates .....	420	313
Other.....	187	203
Total non-operating income .....	1,219	1,343
<b>Non-operating expenses</b>		
Interest expenses.....	2	6
Foreign exchange losses .....	2,729	965
Loss on investments in partnership.....	20	4
Other.....	21	63
Total non-operating expenses.....	2,774	1,041
Ordinary income.....	5,582	6,204
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets .....	4	5
Gain on sales of investment securities.....	0	39
Reversal of allowance for doubtful accounts.....	3	—
Gain on prior periods adjustment.....	2	—
Gain on bad debts recovered.....	1	—
Refunded foreign taxes.....	—	12
Others .....	—	14
Total extraordinary income.....	11	72
<b>Extraordinary loss</b>		
Loss on sales of noncurrent assets .....	0	2
Loss on retirement of noncurrent assets.....	32	53
Loss on valuation of investment securities.....	67	2,933
Loss on valuation of stocks of subsidiaries and affiliates..	55	—
Loss on cancellation of contracts .....	—	19
Loss on prior periods adjustment.....	0	57
Accident-related costs.....	98	6
Other.....	9	603
Total extraordinary losses .....	264	3,676
<b>Income before income taxes and minority interests....</b>	<b>5,329</b>	<b>2,600</b>
Income taxes - current .....	1,219	1,379
Income taxes- deferred .....	574	(1,309)
Total income taxes .....	1,794	70
<b>Minority interests in income.....</b>	<b>163</b>	<b>42</b>
<b>Net income.....</b>	<b>3,371</b>	<b>2,487</b>

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

(Millions of yen)

	Nov 1, 2008- Oct 31, 2009	Nov 1, 2007- Oct 31, 2008
<b>1. Shareholders' equity</b>		
<b>Capital stock</b>		
Balance at the end of previous period	6,882	6,882
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	6,882	6,882
<b>Capital surplus</b>		
Balance at the end of previous period	7,778	7,782
Changes of items during the period		
Disposal of treasury stock	0	0
Total changes of items during the period	0	0
Balance at the end of current period	7,778	7,782
<b>Retained earnings</b>		
Balance at the end of previous period	34,946	33,391
Changes of items during the period		
Dividends from surplus	(778)	(661)
Net income	3,371	2,487
Change of scope of consolidation	218	(271)
Change of scope of equity method	(97)	—
Total changes of items during the period	2,713	1,554
Balance at the end of current period	37,660	34,946
<b>Treasury stock</b>		
Balance at the end of previous period	(2,519)	(1,563)
Changes of items during the period		
Purchase of treasury stock	(2)	(955)
Disposal of treasury stock	0	0
Total changes of items during the period	(2)	(955)
Balance at the end of current period	(2,521)	(2,519)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	47,092	46,493
Changes of items during the period		
Dividends from surplus	(778)	(661)
Net income	3,371	2,487
Change of scope of consolidation	218	(271)
Change of scope of equity method	(97)	—
Purchase of treasury stock	(2)	(955)
Disposal of treasury stock	0	0
Total changes of items during the period	2,711	598
Balance at the end of current period	49,803	47,092

(Millions of yen)

	Nov 1, 2008- Oct 31, 2009	Nov 1, 2007- Oct 31, 2008
<b>2. Valuation and translation adjustments</b>		
<b>Valuation difference on available-for-sale securities</b>		
Balance at the end of previous period	(181)	(405)
Changes of items during the period		
Net changes of items other than s'hldrs' equity	583	223
Total changes of items during the period	583	223
Balance at the end of current period	401	(181)
<b>Deferred gains or losses on hedges</b>		
Balance at the end of previous period	(4,582)	(1,183)
Changes of items during the period		
Net changes of items other than s'hldrs' equity	2,409	(3,399)
Total changes of items during the period	2,409	(3,399)
Balance at the end of current period	(2,173)	(4,582)
<b>Foreign currency translation adjustment</b>		
Balance at the end of previous period	2,483	3,063
Changes of items during the period		
Net changes of items other than s'hldrs' equity	(3,082)	(580)
Total changes of items during the period	(3,082)	(580)
Balance at the end of current period	(599)	2,483
<b>Total valuation and translation adjustments</b>		
Balance at the end of previous period	(2,281)	1,475
Changes of items during the period		
Net changes of items other than s'hldrs' equity	(89)	(3,756)
Total changes of items during the period	(89)	(3,756)
Balance at the end of current period	(2,370)	(2,281)
<b>Minority interests</b>		
Balance at the end of previous period	399	410
Changes of items during the period		
Net changes of items other than s'hldrs' equity	227	(11)
Total changes of items during the period	227	(11)
Balance at the end of current period	626	399
<b>Total net assets</b>		
Balance at the end of previous period	45,210	48,379
Changes of items during the period		
Dividends from surplus	(778)	(661)
Net income	3,371	2,487
Change of scope of consolidation	218	(271)
Change of scope of equity method	(97)	—
Purchase of treasury stock	(2)	(955)
Disposal of treasury stock	0	0
Net changes of items other than shareholders' equity	137	(3,768)
Total changes of items during the period	2,849	(3,169)
Balance at the end of current period	48,059	45,210



#### 4. Consolidated Statements of Cash Flows

	<i>Millions of yen</i>	
	FY ended Oct 31, 2009	FY ended Oct 31, 2008
<b>I. Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests .....	5,329	2,600
Depreciation and amortization .....	1,209	1,185
Amortization of goodwill .....	92	39
Increase (decrease) in allowance for doubtful accounts .....	109	5
Increase (decrease) in provision for bonuses .....	260	331
Increase (decrease) in provision for directors' bonuses .....	21	22
Increase (decrease) in provision for retirement benefits .....	136	154
Increase (decrease) in provision for directors' retirement benefits .....	(50)	27
Increase (decrease) in provision for travel fund interests .....	(0)	2
Interest and dividends income .....	(610)	(886)
Equity in (earning) losses of affiliates .....	(420)	(313)
Foreign exchange losses (gains) .....	1,437	1,033
Interest expenses .....	2	6
Loss (gain) on investments in partnership .....	20	4
Loss (gain) on sales of investment securities .....	1	(12)
Loss (gain) on valuation of investment securities .....	67	2,933
Loss (gain) on sales of property, plant and equipment .....	(3)	(3)
Loss on retirement of property, plant and equipment .....	31	52
Loss on valuation of stocks of subsidiaries and affiliates .....	55	—
Other loss (gain) .....	(20)	577
Decrease (increase) in notes and accounts receivable-trade .....	(1,579)	719
Decrease (increase) in travel advance payments .....	1,129	(1,792)
Decrease (increase) in other assets .....	(389)	(154)
Increase (decrease) in notes and accounts payable-trade .....	(2,596)	(541)
Increase (decrease) in accrued consumption taxes .....	(301)	(120)
Increase (decrease) in accrued expenses .....	174	77
Increase (decrease) in travel advances received .....	(2,516)	945
Increase (decrease) in other liabilities .....	7	223
<b>Sub-total .....</b>	<b>1,600</b>	<b>7,118</b>
Interest and dividends income received .....	750	718
Interest expenses paid .....	(2)	(7)
Income taxes (paid) refund .....	(707)	(2,437)
<b>Net cash provided by operating activities .....</b>	<b>1,640</b>	<b>5,392</b>

	<i>Millions of yen</i>	
	FY ended Oct 31, 2009	FY ended Oct 31, 2008
<b>II. Net cash provided by (used in) investing activities</b>		
Payments into time deposits.....	(2,892)	(13,354)
Proceeds from withdrawal of time deposits .....	12,194	3,644
Purchase of short-term investment securities.....	(104)	(1,805)
Proceeds from sales of short-term investment securities .....	40	1,086
Proceeds from redemption of securities .....	1,001	2,777
Purchase of property, plant and equipment and intangible assets .....	(1,739)	(1,561)
Proceeds from sales of property, plant and equipment and intangible assets.....	10	10
Purchase of investment securities.....	(577)	(1,933)
Purchase of stocks of subsidiaries and affiliates .....	(417)	(1,105)
Purchase of shares from minority shareholders .....	—	(2)
Purchase from sales of investment securities.. .....	98	1,291
Proceeds from redemption of investment securities.....	14	154
Proceeds from sales of stocks of subsidiaries and affiliates.....	42	—
Payments of loans receivable.....	(305)	(396)
Collection of loans receivable.....	115	404
Payments for transfer of business .....	(229)	—
Payments for guarantee deposits.....	(8,587)	(719)
Proceeds from collection of guarantee deposits .....	6,905	453
Other, net .....	(41)	19
<b>Net cash provided by (used in) investing activities .....</b>	<b>5,528</b>	<b>(11,035)</b>
<b>III. Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable.....	187	24
Decrease in short-term loans payable.....	(9)	(54)
Proceeds from long-term loans payable .....	—	50
Repayment of long-term loans payable.....	(14)	(17)
Cash dividends paid .....	(778)	(661)
Cash dividends paid to minority shareholders .....	(12)	(16)
Repayments of finance lease obligations .....	(2)	—
Purchase of treasury stock.....	(2)	(961)
Proceeds from disposal of treasury stock.....	0	0
Other, net .....	(10)	—
<b>Net cash used in financing activities .....</b>	<b>(642)</b>	<b>(1,636)</b>
<b>IV. Effect of exchange rate change on cash &amp; cash equivalents.....</b>	<b>(2,533)</b>	<b>(645)</b>
<b>V. Net increase (decrease) in cash &amp; cash equivalents .....</b>	<b>3,992</b>	<b>(7,925)</b>
<b>VI. Cash &amp; cash equivalents at beginning of period.....</b>	<b>31,080</b>	<b>38,995</b>
<b>VII. Increase in cash &amp; cash equivalents from newly consolidated subsidiary .....</b>	<b>726</b>	<b>9</b>
<b>VIII. Increase (decrease) in cash &amp; cash equivalents resulting from change of scope of consolidation.....</b>	<b>(729)</b>	<b>—</b>
<b>IX. Cash &amp; cash equivalents at end of period .....</b>	<b>35,070</b>	<b>31,080</b>

## V. Important Matters in the Preparation of Consolidated Financial Statements

Current Fiscal Year (November 1, 2008 to October 31, 2009)	Previous Fiscal Year (November 1, 2007 to October 31, 2008)
<p>1. _____</p>	<p>1. Change in the method for translating the earnings from and expenses of entities such as overseas subsidiaries</p> <p>Starting with the current fiscal year, the method for translating income from and expenses of entities such as overseas subsidiaries into yen was changed from one using the spot rate on the date books were closed to one using the average exchange rate during the fiscal period. Since the importance of both earnings from and expenses of entities such as overseas subsidiaries has grown in importance, the new method was introduced to average the impact of temporary changes in the exchange rate on period earnings and to more appropriately reflect earnings and losses generated throughout the fiscal period in the financial statements.</p> <p>As a result, compared to when the previous method was used, net sales rose 424 million yen, gross profit 21 million yen, operating income 17 million yen, ordinary income 9 million yen, and income before taxes and minority interest 9 million yen.</p> <p>The effect of this change on segment information is stated in the relevant sections.</p>
<p>2. Accounting Standard for Lease Transaction</p> <p>Effective from this fiscal year, the Group has implemented early adoption of the "Accounting Standard for Lease Transaction (ASBJ Statement No. 13, issued June 17, 1993 (First Committee of Business Accounting Council)", revised March 30, 2007) and its Implementation Guidance, "Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No.16 (issued January 18, 1994 (Japanese Institute of Certified Public Accountants), revised March 30, 2007), "which requires that all finance lease transactions shall be capitalized, although finance lease without transfer of ownership was accounted for as operating lease under the former accounting standard for lease transactions.</p> <p>Non-ownership transfer finance lease agreements for which the start of the lease begins before the first applicable year are continuing to be accounted for as normal loans.</p> <p>The effect of adoption of this accounting standard was not material.</p>	<p>2. _____</p>

## VI. Changes in Itemization

Current Fiscal Year (November 1, 2008 to October 31, 2009)	Previous Fiscal Year (November 1, 2007 to October 31, 2008)
<p>(Consolidated Balance Sheets) "Accounts receivable", which had been included within "Operating accounts receivable" under "Current assets" through last year, are listed separately since their importance has grown. For the previous fiscal year, "Accounts receivable" totaled 1,215 million yen. In addition, "Long-term prepaid expenses", which had been shown separately and totaled 15 million yen for the current fiscal year, was included within "Other" under "Investments and other assets" since the amount is no longer material.</p> <p>(Consolidated Statements of Income) "Reversal of provisions for allowance for doubtful accounts", "Gain on prior-period adjustments", and "Bad debt recovery", all of which had been included in "Other" under "Extraordinary income", are shown separately since they accounted for more than 10% of extraordinary earnings.</p> <p>For the previous fiscal year, "Reversal gain of provisions for allowance for doubtful accounts" totaled 6 million yen, "Gain on prior-period adjustments" 1 million yen, and "Bad debt recovery" 6 million yen</p>	<p>1. _____</p>

## VII. Supplementary Information

Current Fiscal Year (November 1, 2008 to October 31, 2009)	Previous Fiscal Year (November 1, 2007 to October 31, 2008)
<p>1. _____</p>	<p>ATB Co., Ltd., conducted travel operations within Japan as a wholly-owned subsidiary of the Company. However, the environment surrounding the travel industry has rapidly deteriorated, and based on trends among travel companies and the global economy, it was determined that in terms of continuing to deepen and provide customers with travel that had been provided by ATB up until now, it would be possible to meet customer expectations if the Company took over the ATB concept.</p> <p>As a result, at the board of directors meeting hold on November 21, 2008, a resolution was passed to end ATB business activities on December 31, 2008, and to disband and liquidate ATB on the same date. The company is being liquidated in accordance with the resolution.</p>

## Segment Information

### 1. Segment Information by Business

#### Current Fiscal Year ended October 31, 2009

(Millions of yen)

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

#### Notes:

- Business segments are classified according to those used internally by management.
- The main business of each segment is as follows:
  - Travel business: Travel business and associated businesses
  - Hotel business: Ownership and maintenance of hotels
  - Other businesses: Real estate business
- Unallocated operating expenses in the fiscal year ended October 31, 2009 were 3,522 million yen. The factors contributing to this were expenses related to the administrative department headquarters.
- Corporate assets included under eliminations and corporate for the fiscal year ended October 31, 2009 were 32,557 million yen. These mainly comprised the management of surplus funds (cash and cash equivalents and securities) at the parent company and assets related to the Administration Department of headquarters.
- Long-term pre-paid expenses and their associated amortization amounts are included in depreciation expenses and capital expenditure.

**Previous Fiscal Year ended October 31, 2008**

(Millions of yen)

	Travel business <sup>(1)</sup>	Hotel business <sup>(2)</sup>	Other businesses <sup>(3)</sup>	Total	Eliminations & Corporate	Consolidated
I. Net sales and operating income						
Net sales						
(1) Sales to outside customers	365,893	2,464	26	368,384	—	368,384
(2) Inter-segment sales / transfers	—	60	—	60	(60)	—
Total	365,893	2,525	26	368,445	(60)	368,384
Operating expenses	357,373	2,287	0	359,661	2,820	362,482
Operating income	8,520	238	25	8,784	(2,881)	5,902
II. Assets, depreciation and capital expenditure						
Assets	52,943	7,842	251	61,038	42,708	103,746
Depreciation	566	196	0	763	421	1,185
Capital expenditure	856	201	—	1,058	426	1,484

Notes:

- Business segments are classified according to those used internally by management.
- The main business of each segment is as follows:
  - Travel business: Travel business and associated businesses
  - Hotel business: Ownership and maintenance of hotels
  - Other businesses: Real estate business
- Unallocated operating expenses in the fiscal year ended October 31, 2008 were 2,881 million yen. The factors contributing to this were expenses related to the administrative department headquarters.
- Corporate assets included under eliminations and corporate for the fiscal year ended October 31, 2008 were 42,714 million yen. These mainly comprised the management of surplus funds (cash and cash equivalents and securities) at the parent company and assets related to the Administration Department of headquarters.
- Long-term pre-paid expenses and their associated amortization amounts are included in depreciation expenses and capital expenditure.
- Previously the incomes and expenses of foreign subsidiaries were translated into the yen using the spot exchange rate on the day that the books are closed. From the current fiscal year, the company has adopted the average exchange rate during the fiscal year for the translation. In travel business, this change resulted in a 513 million yen increase in net sales and 25 million yen increase in operating income. In hotel business, net sales fell by 90 million yen and operating income fell by 8 million yen.

## 2. Segment Information by Geographical Area

Current Fiscal Year ended October 31, 2009

(Millions of yen)

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

Notes:

1. The breakdown of regions other than Japan is as follows:

(1) America: U.S.A., Canada, Mexico, the Bahamas, Guam, Saipan

(2) Asia/Oceania: Hong Kong, South Korea, Singapore, Indonesia, Thailand, Malaysia, Cambodia, Macau, India, Vietnam, United Arab Emirates, Australia, Fiji

(3) Europe: The United Kingdom, Germany, France, Italy, Spain

2. Unallocated operating expenses in the fiscal year ended October 31, 2009 were 3,522 million yen. The factors contributing to this were expenses related to the administration department headquarters.

3. Corporate assets included under eliminations and total company for the fiscal year ended October 31, 2009 were 32,557 million yen. These mainly comprised the management of surplus funds (cash and cash equivalents and securities) at the parent company and assets related to the Administration Department of headquarters.

**Previous Fiscal Year ended October 31, 2008**

(Millions of yen)

	Japan	America	Asia / Oceania	Europe	Total	Eliminations & Corporate	Consolidated
I. Net sales							
(1) Sales to outside customers	345,483	7,160	9,742	5,997	368,384	—	368,384
(2) Inter-segment sales / transfers	45	15,523	12,714	3,998	32,282	(32,282)	—
Total	345,528	22,684	22,457	9,996	400,667	(32,282)	368,384
II. Operating expenses	338,518	22,207	21,336	9,820	391,883	(29,401)	362,482
Operating income	7,010	476	1,120	176	8,784	(2,881)	5,902
Assets	43,292	4,109	13,927	3,027	64,356	39,389	103,746

Notes:

1. The breakdown of regions other than Japan is as follows:

- (1) America: U.S.A., Canada, Mexico, the Bahamas, Guam, Saipan
- (2) Asia/Oceania: Hong Kong, South Korea, Singapore, Indonesia, Thailand, Australia, Fiji
- (3) Europe: The United Kingdom, Germany, France, Italy, Spain

2. Unallocated operating expenses in the fiscal year ended October 31, 2008 were 2,881 million yen. The factors contributing to this were expenses related to the administration department headquarters.

3. Corporate assets included under eliminations and total company for the fiscal year ended October 31, 2008 were 42,714 million yen. These mainly comprised the management of surplus funds (cash and cash equivalents and securities) at the parent company and assets related to the Administration Department of headquarters.

4. Previously the incomes and expenses of foreign subsidiaries were translated into the yen using the spot exchange rate on the day that the books are closed. From the current fiscal year, the company has adopted the average exchange rate during the fiscal year for the translation. In America, this change resulted in a 222 million yen increase in net sales and 4 million yen increase in operating income. In Asia and Oceania, net sales rose by 312 million yen and operating income increased by 16 million yen. In Europe, net sales fell by 109 million yen and operating income fell by 4 million yen.

### 3. Overseas Sales

#### Current Fiscal Year ended October 31, 2009

In this term, overseas sales are omitted from this report because this item accounted for less than 10% of consolidated sales.

#### Previous Fiscal Year ended October 31, 2009

In this term, overseas sales are omitted from this report because this item accounted for less than 10% of consolidated sales.



## VIII. Non-consolidated Financial Statements

### 1. Non-consolidated Balance Sheets

	<i>Millions of yen</i>	
	As of Oct 31, 2009	As of Oct 31, 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits .....	26,701	32,092
Accounts receivable-trade .....	4,935	5,083
Operating accounts receivable.....	9,662	8,035
Short-term investment securities.....	1,258	1,038
Travel advance payments.....	8,577	9,574
Prepaid expenses .....	768	670
Deferred tax assets.....	3,414	5,663
Accrued income .....	72	207
Short-term loans receivable .....	26	26
Short-term loans receivable to subsidiaries and affiliates.....	408	474
Accounts receivable-other .....	1,452	1,370
Other.....	978	1,345
Allowance for doubtful accounts .....	(244)	(61)
<b>Total current assets.....</b>	<b>58,012</b>	<b>65,520</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings .....	1,915	1,755
Accumulated depreciation .....	(968)	(819)
Buildings, net.....	947	936
Vehicles .....	33	10
Accumulated depreciation .....	(8)	(9)
Vehicles, net.....	25	1
Tools, furniture and fixtures .....	1,933	1,746
Accumulated depreciation .....	(1,396)	(1,223)
Tools, furniture and fixtures, net.....	536	523
Land.....	255	235
Other.....	31	—
Accumulated depreciation .....	(2)	—
Other, net	28	—
<b>Total property, plant and equipment.....</b>	<b>1,792</b>	<b>1,697</b>
<b>Intangible assets</b>		
Goodwill .....	111	5
Right of trademark .....	27	21
Telephone subscription right.....	80	79
Right of using telephone and telegraph facilities.....	1	1
Software.....	1,261	1,007
Other.....	7	28
<b>Total intangible assets .....</b>	<b>1,490</b>	<b>1,144</b>

	<i>Millions of yen</i>	
	<b>As of Oct 31, 2009</b>	<b>As of Oct 31, 2008</b>
Investment securities .....	4,822	4,922
Stocks of subsidiaries and affiliates .....	11,138	10,718
Investments in capital of subsidiaries and affiliates .....	318	313
Long-term loans receivable .....	256	295
Long-term loans receivable from subsidiaries and affiliates .....	1,109	1,295
Long-term prepaid expenses .....	10	9
Deferred tax assets .....	599	901
Guarantee deposits .....	5,714	4,011
Claims provable in bankruptcy, claims provable in rehabilitation and other .....	121	—
Other .....	6	6
Allowance for doubtful accounts .....	(150)	(72)
<b>Total investments and other assets .....</b>	<b>23,947</b>	<b>22,400</b>
<b>Total non-current assets .....</b>	<b>27,230</b>	<b>25,241</b>
<b>Total assets .....</b>	<b>85,243</b>	<b>90,762</b>

## **LIABILITIES**

### **Current liabilities**

Operating accounts payable .....	11,115	14,241
Accrued payable-other .....	982	934
Accrued expenses .....	1,440	1,171
Income taxes payable .....	312	—
Accrued consumption taxes .....	—	255
Travel advance received .....	20,535	23,124
Insurance deposits .....	337	328
Gift certificates .....	862	776
Provision for bonuses .....	2,086	1,909
Provision for directors' bonuses .....	32	26
Provision for travel fund interests .....	1	3
Provision for loss on liquidation of subsidiaries and affiliates .....	—	600
Forward exchange contracts .....	4,042	7,750
Other .....	630	720
<b>Total current liabilities .....</b>	<b>42,380</b>	<b>51,842</b>

### **Noncurrent liabilities**

Provision for retirement benefits .....	1,397	1,262
Provision for directors' retirement benefits .....	332	394
Provision for travel fund interests .....	3	2
Long-term guarantee deposited .....	40	40
Other .....	118	63
<b>Total noncurrent liabilities .....</b>	<b>1,891</b>	<b>1,763</b>
<b>Total liabilities .....</b>	<b>44,272</b>	<b>53,605</b>

	<i>Millions of yen</i>	
	As of Oct. 31, 2009	As of Oct. 31, 2008
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock .....	6,882	6,882
Capital surplus		
Legal capital surplus .....	7,778	7,778
Other capital surplus .....	3	3
Total capital surpluses .....	7,782	7,782
Retained earnings		
Legal retained earnings .....	246	246
Other retained earnings		
General reserve .....	27,565	27,565
Retained earnings brought forward .....	2,837	1,962
Total earned surpluses .....	30,648	29,773
Treasury stock .....	(2,521)	(2,519)
<b>Total shareholders' equity .....</b>	<b>42,791</b>	<b>41,919</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities .....	402	(180)
Deferred gains or losses on hedges .....	(2,223)	(4,582)
<b>Total valuation and translation adjustments .....</b>	<b>(1,870)</b>	<b>(4,763)</b>
<b>Total net assets .....</b>	<b>40,971</b>	<b>37,156</b>
<b>Total liabilities and net assets .....</b>	<b>85,243</b>	<b>90,762</b>

## 2. Non-consolidated Statements of Income

	<i>Millions of yen</i>	
	FY ended Oct 31, 2009	FY ended Oct 31, 2008
<b>Net sales .....</b>		
Overseas travel sales .....	275,248	306,029
Domestic travel sales .....	17,553	16,890
Other .....	2,690	2,508
Total net sales .....	295,492	325,428
Cost of sales .....		
Cost of overseas travel sales .....	233,403	269,464
Cost of domestic travel sales .....	15,665	15,072
Other .....	38	26
Total cost of sales .....	249,107	284,563
Gross profit .....	46,384	40,865
Selling, general and administrative expenses .....	40,915	36,695
<b>Operating income .....</b>	<b>5,468</b>	<b>4,169</b>
<b>Non-operating income</b>		
Interest income .....	400	521
Dividends income .....	363	277
Commission fee .....	23	24
Other .....	134	93
<b>Total non-operating income .....</b>	<b>922</b>	<b>916</b>

	<i>Millions of yen</i>	
	FY ended Oct 31, 2009	FY ended Oct 31, 2008
<b>Non-operating expenses</b>		
Foreign exchange losses .....	2,874	893
Provision of allowance for doubtful accounts .....	168	5
Loss on sales of securities .....	—	15
Loss on investments in partnership .....	20	12
Other .....	8	28
<b>Total non-operating expenses .....</b>	<b>3,071</b>	<b>955</b>
<b>Ordinary income .....</b>	<b>3,319</b>	<b>4,130</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities .....	0	33
Gain on prior periods adjustment .....	1	—
Refunded foreign taxes .....	—	12
<b>Total extraordinary income .....</b>	<b>1</b>	<b>45</b>
<b>Extraordinary loss</b>		
Loss on sales of noncurrent assets .....	0	—
Loss on retirement of noncurrent assets .....	21	52
Loss on sales of investment securities .....	2	—
Loss on valuation of investment securities .....	67	2,933
Loss on valuation of stocks of subsidiaries and affiliates .....	245	1,499
Provision for loss on liquidation of subsidiaries and affiliates .....	—	600
Accident-related costs .....	98	6
Other .....	3	576
<b>Total extraordinary losses .....</b>	<b>438</b>	<b>5,669</b>
<b>Income (loss) before income taxes .....</b>	<b>2,882</b>	<b>(1,493)</b>
Income taxes – current .....	699	754
Income taxes- deferred .....	531	(1,316)
<b>Total income taxes .....</b>	<b>1,230</b>	<b>(562)</b>
<b>Net income (loss) .....</b>	<b>1,652</b>	<b>(930)</b>

### 3. Non-consolidated Statements of Changes in Net Assets

(Millions of yen)

	Nov. 1, 2008- Oct. 31, 2009	Nov. 1, 2007- Oct. 31, 2008
<b>1. Shareholders' equity</b>		
<b>Capital stock</b>		
Balance at the end of previous period	6,882	6,882
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	6,882	6,882
<b>Capital surplus</b>		
<b>Legal capital surplus</b>		
Balance at the end of previous period	7,778	7,778
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	7,778	7,778
<b>Other capital surplus</b>		
Balance at the end of previous period	3	3
Changes of items during the period		
Disposal of treasury stock	0	0
Total changes of items during the period	0	0
Balance at the end of current period	3	3
<b>Total capital surplus</b>		
Balance at the end of previous period	7,782	7,782
Changes of items during the period		
Disposal of treasury stock	0	0
Total changes of items during the period	0	0
Balance at the end of current period	7,782	7,782
<b>Retained earnings</b>		
<b>Legal retained earnings</b>		
Balance at the end of previous period	246	246
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	246	246
<b>Other retained earnings</b>		
<b>General reserve</b>		
Balance at the end of previous period	27,565	25,565
Changes of items during the period		
Provision of general reserve	—	2,000
Total changes of items during the period	—	2,000
Balance at the end of current period	27,565	27,565
Retained earnings brought forward		

(Millions of yen)

	Nov. 1, 2008- Oct. 31, 2009	Nov. 1, 2007- Oct. 31, 2008
Balance at the end of previous period	1,962	5,555
Changes of items during the period		
Dividends from surplus	(778)	(661)
Provision of general reserve	—	(2,000)
Net income (loss)	1,652	(930)
Total changes of items during the period	874	(3,592)
Balance at the end of current period	2,837	1,962
<b>Total retained earnings</b>		
Balance at the end of previous period	29,773	31,366
Changes of items during the period		
Dividends from surplus	(778)	(661)
Provision of general reserve	—	—
Net income (loss)	1,652	(930)
Total changes of items during the period	874	(1,592)
Balance at the end of current period	30,648	29,773
<b>Treasury stock</b>		
Balance at the end of previous period	(2,519)	(1,563)
Changes of items during the period		
Purchase of treasury stock	(2)	(955)
Disposal of treasury stock	0	0
Total changes of items during the period	(2)	(955)
Balance at the end of current period	(2,521)	(2,519)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	41,919	44,467
Changes of items during the period		
Dividends from surplus	(778)	(661)
Net income (loss)	1,652	(930)
Purchase of treasury stock	(2)	(955)
Disposal of treasury stock	0	0
Total changes of items during the period	872	(2,547)
Balance at the end of current period	42,791	41,919

(Millions of yen)

	Nov. 1, 2008- Oct. 31, 2009	Nov. 1, 2007- Oct. 31, 2008
<b>2. Valuation and translation adjustments</b>		
<b>Valuation difference on available-for-sale securities</b>		
Balance at the end of previous period	(180)	(407)
Changes of items during the period		
Net changes of items other than shareholders' equity	583	226
Total changes of items during the period	583	226
Balance at the end of current period	402	(180)
<b>Deferred gains or losses on hedges</b>		
Balance at the end of previous period	(4,582)	(1,183)
Changes of items during the period		
Net changes of items other than shareholders' equity	2,359	(3,399)
Total changes of items during the period	2,359	(3,399)
Balance at the end of current period	(2,223)	(4,582)
<b>Total valuation and translation adjustments</b>		
Balance at the end of previous period	(4,763)	(1,590)
Changes of items during the period		
Net changes of items other than shareholders' equity	2,943	(3,173)
Total changes of items during the period	2,943	(3,173)
Balance at the end of current period	(1,820)	(4,763)
<b>Total net assets</b>		
Balance at the end of previous period	37,156	42,877
Changes of items during the period		
Dividends from surplus	(778)	(661)
Net income (loss)	1,652	(930)
Purchase of treasury stock	(2)	(955)
Disposal of treasury stock	0	0
Net changes of items other than shareholders' equity	2,943	(3,173)
Total changes of items during the period	3,815	(5,720)
Balance at the end of current period	40,971	37,156

## **IX. Other Matters**

### Changes of directors

1. Change of representatives (Increase)

Hideo Sawada, Chairman and Representative Director (Current Chairman of the Board)

Date for assumption of office: December 16, 2009

2. Change of other directors

(1) Candidates for new board member positions:

Tatsuya Nakamori, Board member (Current Corporate Officer, and General Manager of Kansai Department and Chief General Sales Manager in charge of Western Japan)

Date scheduled for assumption of office: January 27, 2010