

7. Short-Term Borrowings and Long-Term Debt

The weighted average interest rates on short-term borrowings outstanding at March 31, 2005 and 2004 were 2.01% and 0.84%, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	March 31,		2005 <i>(Thousands of U.S. dollars)</i>
	2005 <i>(Thousands of yen)</i>	2004 <i>(Thousands of yen)</i>	
Loans with collateral, due 2004 to 2010, at rates ranging from 3.84% to 7.91%	¥ 1,639,587	¥ 2,121,388	\$ 15,323
Loans without collateral, due 2004 to 2013, at rates ranging from 1.20% to 1.62%	2,398,500	2,778,500	22,416
Other	301,070	263,472	2,814
	<u>4,339,157</u>	<u>5,163,360</u>	<u>40,553</u>
Less current portion of long-term debt	<u>(1,580,510)</u>	<u>(1,282,069)</u>	<u>(14,771)</u>
	<u>¥ 2,758,646</u>	<u>¥ 3,881,290</u>	<u>\$ 25,782</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

<u>Year ending March 31,</u>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2006	¥1,580,510	\$14,771
2007	962,538	8,996
2008	672,657	6,287
2009	406,339	3,798
2010 and thereafter	717,110	6,702
	<u>¥4,339,157</u>	<u>\$40,553</u>

Assets pledged as collateral for long-term debt at March 31, 2005 and 2004 are summarized as follows:

	March 31,		2005 <i>(Thousands of U.S. dollars)</i>
	2005 <i>(Thousands of yen)</i>	2004 <i>(Thousands of yen)</i>	
Land	¥ 175,056	¥ 78,656	\$ 1,636
Buildings and structures, net of accumulated depreciation	1,126,923	1,370,575	10,532
Flight equipment, net of accumulated depreciation	1,058,065	1,221,368	9,888
	<u>¥2,360,044</u>	<u>¥2,670,600</u>	<u>\$22,056</u>

8. Accrued Pension and Severance Costs

An employee whose employment is terminated is entitled, in most cases, to pension payments or lump-sum severance indemnities, the amounts of which are determined by reference to the basic rate of pay, length of service and the conditions under which the termination occurs.

The Company and the consolidated domestic subsidiaries have principally non-contributory defined pension plans. Certain consolidated foreign subsidiaries have defined contribution pension plans.

The projected benefit obligation and the funded status of the plans including a portion of the governmental welfare pension program were as follows:

	March 31,		
	2005	2004	2005
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Projected benefit obligation	¥(2,661,333)	¥(2,553,307)	\$(24,872)
Plan assets	2,137,176	2,051,502	19,974
Accrued pension and severance costs	329,100	212,202	3,076
Net unrecognized amount	<u>¥ (195,055)</u>	<u>¥ (289,602)</u>	<u>\$ (1,823)</u>

In computing the projected benefit obligation, several simplified methods are permitted for small companies, and certain of the Company's consolidated subsidiaries have adopted such methods.

The net unrecognized amount was as follows:

	March 31,		
	2005	2004	2005
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized benefit obligation at transition	¥ –	¥ (70,477)	\$ –
Actuarial assumption adjustment	(195,055)	(219,125)	(1,823)
Net unrecognized amount	<u>¥(195,055)</u>	<u>¥(289,602)</u>	<u>\$(1,823)</u>

The components of net periodic pension and severance costs excluding the employees' contributory portion were as follows:

	Year ended March 31,			
	2005	2004	2003	2005
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Service cost	¥137,585	¥133,086	¥124,604	\$1,286
Interest cost on projected benefit obligation	62,666	68,545	68,142	586
Expected return on plan assets	(50,858)	(47,166)	(50,227)	(475)
Amortization of unrecognized benefit obligation at transition	70,477	70,477	70,477	659
Amortization of actuarial assumption adjustment	57,372	40,010	13,804	536
Net periodic pension and severance costs	<u>¥277,242</u>	<u>¥264,953</u>	<u>¥226,801</u>	<u>\$2,591</u>

8. Accrued Pension and Severance Costs (continued)

The contributions based on the defined contribution pension plans have been charged to income as paid.

Special termination benefits paid but not included in determining the projected benefit obligation are charged to income when paid. The amounts charged to income amounted to ¥77,554 thousand for the year ended March 31, 2003.

The assumptions used were as follows:

	<u>2005</u>	<u>2004</u>
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%

9. Other Income (Expenses)

The components of “Other, net” in “Non-operating income (expenses)” for each of the three years in the period ended March 31, 2005 were as follows:

	<u>Year ended March 31,</u>			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2005</u>
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Dividends received	¥ 38,274	¥ 55,320	¥ 44,178	\$ 358
Exchange (loss) gain, net	(110,201)	(342,910)	43,490	(1,030)
Gain on sales of property and equipment	237,385	306,203	196,849	2,219
Gain on sales of investments in securities	15,995	123,114	1,446	149
Loss on disposal of property and equipment	(156,139)	(51,981)	(23,734)	(1,459)
Loss on revaluation of investments in securities	–	(7,800)	(12,750)	–
Special termination benefits	–	–	(77,554)	–
Impairment losses on fixed assets	(123,340)	–	–	(1,153)
Loss on advanced repayment of bank loans	–	(47,574)	–	–
Other, net	155,283	67,581	38,553	1,451
	<u>¥ 57,259</u>	<u>¥ 101,954</u>	<u>¥ 210,478</u>	<u>\$ 535</u>