

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2006	2005	2006
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Assets			
Current assets:			
Cash and time deposits	¥ 4,954,081	¥ 5,218,478	\$ 42,343
Notes and accounts receivable <i>(Notes 16 and 17)</i> :			
Trade	11,291,926	10,961,620	96,512
Parent	3,626	2,843	31
Unconsolidated subsidiary and affiliates	88,501	49,495	756
Other	2,133,644	1,194,792	18,236
Allowance for doubtful accounts	(43,653)	(33,777)	(373)
Inventories	5,653,412	5,210,814	48,320
Deferred income taxes <i>(Note 10)</i>	471,881	424,203	4,033
Other <i>(Note 17)</i>	748,897	1,766,699	6,401
Total current assets	<u>25,302,319</u>	<u>24,795,171</u>	<u>216,259</u>
Investments and advances:			
Unconsolidated subsidiaries and affiliates	2,224,261	1,987,501	19,011
Other <i>(Note 5)</i>	459,512	294,521	3,927
Total investments and advances	<u>2,683,773</u>	<u>2,282,023</u>	<u>22,938</u>
Property and equipment <i>(Notes 6 and 7)</i> :			
Land	412,073	388,772	3,522
Buildings and structures	4,582,931	4,260,217	39,170
Machinery and vehicles	307,458	549,354	2,628
Flight equipment	3,229,398	2,241,948	27,602
Construction in process	51,151	19,188	437
Other	760,305	697,467	6,498
	<u>9,343,319</u>	<u>8,156,949</u>	<u>79,857</u>
Accumulated depreciation	(3,958,383)	(3,484,944)	(33,832)
Property and equipment, net	<u>5,384,936</u>	<u>4,672,005</u>	<u>46,025</u>
Intangible assets:			
Software	293,953	385,763	2,512
Software under development	933,038	68,489	7,975
Other	30,966	37,584	265
Total intangible assets	<u>1,257,958</u>	<u>491,838</u>	<u>10,752</u>
Long-term loans	462,941	499,693	3,957
Deposits for business space <i>(Note 17)</i>	1,917,076	1,793,931	16,385
Deferred income taxes <i>(Note 10)</i>	342,692	382,316	2,929
Other assets, net	211,715	247,716	1,810
	<u>¥37,563,414</u>	<u>¥35,164,696</u>	<u>\$321,055</u>

	March 31,		
	2006	2005	2006
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Liabilities and stockholders' equity			
Current liabilities:			
Short-term borrowings <i>(Notes 7 and 17)</i>	¥ 1,846,696	¥ 1,778,187	\$ 15,784
Current portion of long-term debt <i>(Note 7)</i>	1,153,966	1,580,510	9,863
Notes and accounts payable <i>(Note 16)</i> :			
Trade	11,295,702	10,260,355	96,544
Unconsolidated subsidiaries and affiliates	558,947	602,772	4,777
Accrued expenses	2,267,168	2,141,546	19,378
Accrued income taxes <i>(Note 10)</i>	596,344	805,075	5,097
Other	2,238,365	2,373,139	19,131
Total current liabilities	<u>19,957,190</u>	<u>19,541,588</u>	<u>170,574</u>
Long-term debt <i>(Notes 7 and 16)</i>	2,967,180	2,758,646	25,361
Accrued pension and severance costs <i>(Note 8)</i>	283,616	329,100	2,424
Directors' and statutory auditors' retirement benefits	185,728	174,950	1,587
Deferred income taxes <i>(Note 10)</i>	57,027	–	487
Other	6,744	10,277	58
Minority interests	881,358	733,930	7,533
Commitments and contingent liabilities <i>(Notes 12 and 13)</i>			
Stockholders' equity <i>(Note 11)</i> :			
Common stock, without par value:			
Authorized: 20,000,000 shares			
Issued: 12,775,000 shares in 2006 and 2005	2,558,550	2,558,550	21,868
Capital surplus	711,363	711,296	6,080
Retained earnings	9,992,376	8,608,902	85,405
Net unrealized gain on other securities, net of taxes <i>(Note 5)</i>	22,663	10,413	194
Translation adjustments	(51,101)	(263,946)	(437)
Common stock in treasury: 14,319 shares in 2006 and 14,179 shares in 2005	(9,284)	(9,013)	(79)
Total stockholders' equity	<u>13,224,566</u>	<u>11,616,202</u>	<u>113,030</u>
	<u>¥37,563,414</u>	<u>¥35,164,696</u>	<u>\$321,055</u>

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended March 31,			
	2006	2005	2004	2006
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars) (Note 3)</i>
Operating revenues <i>(Notes 15 and 17)</i>	¥107,952,007	¥98,622,995	¥86,089,991	\$922,667
Operating expenses <i>(Notes 15 and 17)</i> :				
Cost of sales	84,595,451	75,549,297	65,845,097	723,038
Selling, general and administrative expenses	20,911,898	20,332,031	18,163,531	178,734
	<u>105,507,350</u>	<u>95,881,328</u>	<u>84,008,629</u>	<u>901,772</u>
Operating income	<u>2,444,656</u>	<u>2,741,667</u>	<u>2,081,362</u>	<u>20,894</u>
Non-operating income (expenses):				
Interest income	19,283	42,343	40,830	165
Interest expense	(94,722)	(69,082)	(75,929)	(810)
Equity in earnings of affiliates	108,864	78,921	84,847	930
Other, net <i>(Notes 6 and 9)</i>	691,679	57,259	101,954	5,912
	<u>725,104</u>	<u>109,441</u>	<u>151,702</u>	<u>6,197</u>
Income before income taxes and minority interests	<u>3,169,761</u>	<u>2,851,108</u>	<u>2,233,064</u>	<u>27,092</u>
Income taxes <i>(Note 10)</i> :				
Current	1,246,151	1,349,346	1,207,818	10,651
Deferred	49,784	(78,800)	(166,573)	426
	<u>1,295,936</u>	<u>1,270,546</u>	<u>1,041,244</u>	<u>11,076</u>
Minority interests	<u>(184,584)</u>	<u>(144,891)</u>	<u>(106,409)</u>	<u>(1,578)</u>
Net income	<u>¥ 1,689,240</u>	<u>¥ 1,435,670</u>	<u>¥ 1,085,411</u>	<u>\$ 14,438</u>

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Stockholders' Equity

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on other securities, net of taxes (Note 5)	Translation adjustments	Common stock in treasury	Total
	<i>(Thousands of yen)</i>							
Balance at March 31, 2003	12,250,000	¥2,558,550	¥661,250	¥6,148,284	¥(11,034)	¥ (70,852)	¥(4,847)	¥ 9,281,349
Net income for the year ended March 31, 2004				1,085,411				1,085,411
Cash dividends				(195,960)				(195,960)
Bonuses to directors and statutory auditors				(11,690)				(11,690)
Increase resulting from merger	525,000		50,000	422,186				472,186
Other			10		19,088	(171,277)	(2,016)	(154,195)
Balance at March 31, 2004	<u>12,775,000</u>	<u>2,558,550</u>	<u>711,260</u>	<u>7,448,232</u>	<u>8,053</u>	<u>(242,130)</u>	<u>(6,863)</u>	<u>10,477,102</u>
Net income for the year ended March 31, 2005				1,435,670				1,435,670
Cash dividends				(255,439)				(255,439)
Bonuses to directors and statutory auditors				(19,562)				(19,562)
Other			36		2,360	(21,816)	(2,149)	(21,568)
Balance at March 31, 2005	<u>12,775,000</u>	<u>2,558,550</u>	<u>711,296</u>	<u>8,608,902</u>	<u>10,413</u>	<u>(263,946)</u>	<u>(9,013)</u>	<u>11,616,202</u>
Net income for the year ended March 31, 2006				1,689,240				1,689,240
Cash dividends				(280,974)				(280,974)
Bonuses to directors and statutory auditors				(24,792)				(24,792)
Other			66		12,250	212,844	(271)	224,889
Balance at March 31, 2006	<u><u>12,775,000</u></u>	<u><u>¥2,558,550</u></u>	<u><u>¥711,363</u></u>	<u><u>¥9,992,376</u></u>	<u><u>¥ 22,663</u></u>	<u><u>¥ (51,101)</u></u>	<u><u>¥(9,284)</u></u>	<u><u>¥13,224,566</u></u>

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on other securities, net of taxes (Note 5)	Translation adjustments	Common stock in treasury	Total
	<i>(Thousands of U.S. dollars) (Note 3)</i>							
Balance at March 31, 2005	12,775,000	\$21,868	\$6,079	\$73,580	\$ 89	\$(2,256)	\$(77)	\$ 99,284
Net income for the year ended March 31, 2006				14,438				14,438
Cash dividends				(2,401)				(2,401)
Bonuses to directors and statutory auditors				(212)				(212)
Other			1		105	1,819	(2)	1,922
Balance at March 31, 2006	<u>12,775,000</u>	<u>\$21,868</u>	<u>\$6,080</u>	<u>\$85,405</u>	<u>\$194</u>	<u>\$ (437)</u>	<u>\$(79)</u>	<u>\$113,030</u>

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,			2006 <i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
	2006	2005	2004	
	<i>(Thousands of yen)</i>			
Operating activities				
Income before income taxes and minority interests	¥ 3,169,761	¥ 2,851,108	¥ 2,233,064	\$ 27,092
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	696,862	634,346	637,524	5,956
Provision for allowance for doubtful accounts	(15,041)	(9,234)	55,672	(129)
Net provision for accrued pension and severance costs	(45,483)	116,898	103,106	(389)
Interest and dividend income	(55,840)	(80,618)	(96,150)	(477)
Interest expense	94,722	69,082	75,929	810
Exchange (gain) loss, net	(26,545)	(3,192)	777	(227)
Equity in earnings of affiliates	(108,864)	(78,921)	(84,847)	(930)
Loss on changes in equity interest	8,550	-	-	73
Loss (gain) on sales of, and loss on disposal of property and equipment	14,289	(81,246)	(262,686)	122
Impairment losses on fixed assets	26,507	123,340	-	227
Gain on sales of investments in securities	-	(15,995)	(123,114)	-
Loss on revaluation of investments in securities	-	-	7,800	-
(Increase) decrease in notes and accounts receivable	(673,942)	979,608	(702,146)	(5,760)
(Increase) decrease in inventories	(343,115)	(101,030)	197,212	(2,933)
Increase (decrease) in notes and accounts payable	884,319	(1,445,848)	1,074,175	7,558
Increase (decrease) in bad debts on receivables	17,782	47,587	(60,172)	152
Payments of bonuses to directors and statutory auditors	(26,100)	(20,570)	(12,950)	(223)
Other, net	373,634	248,558	(438,441)	3,193
Subtotal	<u>3,991,497</u>	<u>3,233,873</u>	<u>2,604,753</u>	<u>34,115</u>
Interest and dividends received	70,272	94,819	107,875	601
Interest paid	(89,566)	(66,912)	(80,123)	(766)
Income taxes paid	(1,449,779)	(1,260,408)	(1,157,629)	(12,391)
Net cash provided by operating activities	<u>2,522,424</u>	<u>2,001,372</u>	<u>1,474,876</u>	<u>21,559</u>
Investing activities				
Purchases of property and equipment	(1,096,982)	(699,801)	(836,715)	(9,376)
Proceeds from sales of property and equipment	12,022	243,822	494,320	103
Purchases of investment in affiliates	(30,000)	(50,000)	-	(256)
Purchases of intangible assets	(895,550)	(119,932)	(218,370)	(7,654)
Purchases of investments in securities	(262,307)	(51,264)	-	(2,242)
Proceeds from sales of investments in securities	100,280	78,376	202,457	857
Purchases of investments in capital	(5,000)	(50,000)	(50,000)	(43)
Purchases of investments in subsidiaries	(115,561)	-	-	(988)
Long-term loans receivable made	(1,741)	(121,685)	(2,800)	(15)
Collection of long-term loans	465,153	612,942	128,502	3,976
Purchases of time deposits	(243,613)	-	(10,002)	(2,082)
Proceeds from maturity of time deposits	268,628	272	10,000	2,296
Increase in deposits for business space	(82,982)	(100,934)	(93,103)	(709)
Decrease in deposits for business space	28,349	700,135	44,387	242
Other, net	2,563	(56,009)	120,050	22
Net cash (used in) provided by investing activities	<u>(1,856,740)</u>	<u>385,922</u>	<u>(211,273)</u>	<u>(15,870)</u>
Financing activities				
Increase (decrease) in short-term borrowings	5,906	(258,160)	19,177	50
Proceeds from long-term loans	639,602	468,900	2,484,280	5,467
Repayment of long-term loans	(1,192,628)	(1,288,953)	(2,817,850)	(10,193)
Redemption of bonds	-	-	(350,000)	-
Dividends paid to stockholders	(280,974)	(255,439)	(195,960)	(2,401)
Dividends paid to minority interests	(36,990)	(36,000)	(36,000)	(316)
Other, net	(1,381)	(1,868)	(3,189)	(12)
Net cash used in financing activities	<u>(866,466)</u>	<u>(1,371,520)</u>	<u>(899,542)</u>	<u>(7,406)</u>
Effect of exchange rate changes on cash and cash equivalents	12,859	12,875	5,753	110
Net increase (decrease) in cash and cash equivalents	(187,922)	1,028,649	369,814	(1,606)
Cash and cash equivalents at beginning of the year	5,134,871	4,106,222	3,523,755	43,888
Increase in cash and cash equivalents resulting from merger	-	-	212,651	-
Cash and cash equivalents at end of the year	<u>¥ 4,946,949</u>	<u>¥ 5,134,871</u>	<u>¥ 4,106,222</u>	<u>\$ 42,282</u>

The accompanying notes are an integral part of these statements.