

## 5. Fair Value of Securities

The Company and its consolidated subsidiaries did not possess any trading securities or held-to-maturity securities at March 31, 2007 and 2006. Securities classified as other securities have been included in “investments and advances – other” in the accompanying consolidated balance sheets at March 31, 2007 and 2006.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2007 and 2006 are summarized as follows:

	<b>March 31, 2007</b>		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<i>(Thousands of yen)</i>		
Unrealized gain:			
Stocks	¥ 27,566	¥ 69,374	¥ 41,808
Bonds:			
Government bonds	7,162	7,681	519
Other	3,802	5,723	1,920
	<u>38,531</u>	<u>82,779</u>	<u>44,248</u>
Unrealized loss:			
Stocks	52,689	38,916	(13,773)
Bonds:			
Other	100,000	94,780	(5,220)
	<u>152,689</u>	<u>133,696</u>	<u>(18,993)</u>
Total	<u>¥191,220</u>	<u>¥216,475</u>	<u>¥ 25,255</u>

	<b>March 31, 2007</b>		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Unrealized gain:			
Stocks	\$ 234	\$ 588	\$ 354
Bonds:			
Government bonds	61	65	4
Other	32	49	16
	<u>327</u>	<u>702</u>	<u>375</u>
Unrealized loss:			
Stocks	447	330	(117)
Bonds:			
Other	847	803	(44)
	<u>1,294</u>	<u>1,133</u>	<u>161</u>
Total	<u>\$1,621</u>	<u>\$1,835</u>	<u>\$ 214</u>

## 5. Fair Value of Securities (continued)

	<b>March 31, 2006</b>		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<i>(Thousands of yen)</i>		
Unrealized gain:			
Stocks	¥23,279	¥60,230	¥36,951
Bonds:			
Government bonds	7,162	8,060	898
Other	3,798	6,307	2,509
	<u>34,239</u>	<u>74,599</u>	<u>40,359</u>
Unrealized loss:			
Stocks	6,617	5,475	(1,142)
	<u>6,617</u>	<u>5,475</u>	<u>(1,142)</u>
Total	<u>¥40,857</u>	<u>¥80,074</u>	<u>¥39,216</u>

Non-marketable securities classified as other securities at March 31, 2007 and 2006 amounted to ¥328,228 thousand (\$2,782 thousand) and ¥292,883 thousand, respectively.

Proceeds from sales of securities classified as other securities amounted to ¥3,900 thousand (\$33 thousand) and ¥28,112 thousand with an aggregate gain of ¥3,899 thousand (\$33 thousand) and ¥15,995 thousand and an aggregate loss of ¥7,499 thousand (\$64 thousand) and nil for the years ended March 31, 2007 and 2005, respectively.

The redemption schedule for securities with maturity dates which were classified as other securities as of March 31, 2007 and 2006 are summarized as follows:

	<b>March 31, 2007</b>		
	Due in one year or less	Due after one year through five years	Due after ten years
	<i>(Thousands of yen)</i>		
Bonds:			
Government bonds	¥7,500	¥ –	¥ –
Other	–	–	100,000
Other:			
Investment trusts	–	5,723	–
Total	<u>¥7,500</u>	<u>¥5,723</u>	<u>¥100,000</u>

## 5. Fair Value of Securities (continued)

	<b>March 31, 2007</b>		
	Due in one year or less	Due after one year through five years	Due after ten years
	<i>(Thousands of U.S. dollars)</i>		
Bonds:			
Government bonds	\$64	\$ –	\$ –
Other	–	–	847
Other:			
Investment trusts	–	49	–
Total	<u>\$64</u>	<u>\$49</u>	<u>\$847</u>

  

	<b>March 31, 2006</b>
	Due after one year through five years
	<i>(Thousands of yen)</i>
Bonds:	
Government bonds	¥ 7,500
Other:	
Investment trusts	6,307
Total	<u>¥13,807</u>

## 6. Short-Term Borrowings and Long-Term Debt

The weighted average interest rates on short-term borrowings outstanding at March 31, 2007 and 2006 were 4.10% and 3.95%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	<b>March 31,</b>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Loans with collateral, due 2006 to 2013, at rates ranging from 3.84% to 7.03%	¥ 2,450,179	¥ 2,154,305	\$ 20,764
Loans without collateral, due 2006 to 2013, at rates ranging from 1.28% to 2.68%	1,707,000	1,547,729	14,466
Other	430,265	419,112	3,646
	<u>4,587,444</u>	<u>4,121,147</u>	<u>38,877</u>
Less current portion of long-term debt	<u>(1,198,467)</u>	<u>(1,153,966)</u>	<u>(10,157)</u>
	<u>¥ 3,388,976</u>	<u>¥ 2,967,180</u>	<u>\$ 28,720</u>

## 6. Short-Term Borrowings and Long-Term Debt (continued)

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

<u>Year ending March 31,</u>	<u>(Thousands of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2008	¥1,198,467	\$10,157
2009	895,897	7,592
2010	709,043	6,009
2011	590,789	5,007
2012 and thereafter	1,193,247	10,112
	<u>¥4,587,444</u>	<u>\$38,877</u>

Assets pledged as collateral for long-term debt at March 31, 2007 and 2006 are summarized as follows:

	<b>March 31,</b>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Land	¥ 200,121	¥ 198,357	\$ 1,696
Buildings and structures, net of accumulated depreciation	1,294,479	1,351,567	10,970
Flight equipment, net of accumulated depreciation	1,776,177	2,008,356	15,052
Construction in process	86,167	-	730
	<u>¥3,356,946</u>	<u>¥3,558,282</u>	<u>\$28,449</u>

## 7. 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.

## 7. Accrued Pension and Severance Costs (continued)

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

	<b>March 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2007</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Projected benefit obligation	¥(2,954,334)	¥(2,786,977)	\$(25,037)
Plan assets	2,769,975	2,486,934	23,474
Accrued pension and severance costs	112,767	283,616	956
Net unrecognized amount	<u>¥ (71,591)</u>	<u>¥ (16,426)</u>	<u>\$ (607)</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:

	<b>March 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2007</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Actuarial assumption adjustment	¥(71,591)	¥(16,426)	\$(607)
Net unrecognized amount	<u>¥(71,591)</u>	<u>¥(16,426)</u>	<u>\$(607)</u>

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

	<b>Year ended March 31,</b>			
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2007</b>
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Service cost	¥146,730	¥151,136	¥137,585	\$1,243
Interest cost on projected benefit obligation	67,778	65,202	62,666	574
Expected return on plan assets	(61,370)	(53,116)	(50,858)	(520)
Amortization of unrecognized benefit obligation at transition	—	—	70,477	—
Amortization of actuarial assumption adjustment	32,759	57,071	57,372	278
Net periodic pension and severance costs	<u>¥185,897</u>	<u>¥220,293</u>	<u>¥277,242</u>	<u>\$1,575</u>

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

## 7. Accrued Pension and Severance Costs (continued)

The assumptions used were as follows:

	<u>2007</u>	<u>2006</u>
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%

## 8. 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, 2007, 2006 and 2005 were as follows:

	<u>Year ended March 31,</u>			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2007</u>
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Dividends received	¥ 40,982	¥ 36,556	¥ 38,274	\$ 347
Exchange (loss) gain, net	6,846	583,288	(110,201)	58
Brokerage commission received	62,146	–	–	527
Gain on sales of property and equipment	204	12,022	237,385	2
Gain on sales of investments in securities	3,899	–	15,995	33
Gains on exemptions from consumption taxes	–	130,131	–	–
Gain on reversal of allowance for doubtful accounts	24,378	6,730	–	207
Commission paid	(20,000)	–	–	(169)
Loss on sales and disposal of property and equipment	(126,317)	(26,312)	(156,139)	(1,070)
Loss on sales of investments in affiliate	(1,265)	–	–	(11)
Loss on sales of investments in securities	(7,499)	–	–	(64)
Loss on revaluation of inventories	(87,358)	(95,181)	–	(740)
Revision of the loss of prior year of receivables	–	(35,522)	–	–
Impairment losses on fixed assets	(9,382)	(26,507)	(123,340)	(80)
Loss on closing stores	(58,655)	–	–	(497)
Other, net	45,153	106,472	155,283	383
	<u>¥(126,866)</u>	<u>¥691,679</u>	<u>¥ 57,259</u>	<u>\$(1,075)</u>