Report of Independent Auditors

The Board of Directors
JALUX Inc.

We have audited the accompanying consolidated balance sheets of JALUX Inc. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for each of three years in the period ended March 31, 2010, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JALUX Inc. and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 18, 2010

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31, 2010	March 31, 2009	March 31, 2010
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and time deposits *(Notes 14 and 18)*	¥ 8,143,114	¥ 6,151,963	$ 87,560
Notes and accounts receivable *(Notes 14 and 20)*:			
Trade	9,657,474	11,750,986	103,844
Unconsolidated subsidiaries and affiliates	104,874	122,223	1,128
Other	2,359,289	1,918,807	25,369
Allowance for doubtful accounts	(60,958)	(76,826)	(655)
Inventories *(Note 4)*	6,345,498	8,056,575	68,231
Deferred income taxes *(Note 11)*	808,651	390,453	8,695
Other *(Note 20)*	1,053,907	1,088,614	11,332
Total current assets	28,411,851	29,402,798	305,504
Investments and advances:			
Unconsolidated subsidiaries and affiliates *(Note 14)*	1,863,101	2,194,887	20,033
Other *(Notes 14 and 15)*	405,197	480,755	4,357
Total investments and advances	2,268,298	2,675,642	24,390
Property and equipment *(Notes 5 and 10)*:			
Land	1,844,350	274,205	19,832
Buildings and structures	5,733,595	3,835,781	61,652
Machinery and vehicles	167,634	158,836	1,803
Flight equipment	2,925,448	2,860,632	31,456
Construction in process	1,153,521	1,933,556	12,403
Other	951,430	848,233	10,230
	12,775,981	9,911,245	137,376
Accumulated depreciation	(4,687,475)	(4,227,949)	(50,403)
Property and equipment, net	8,088,506	5,683,295	86,973
Intangible assets *(Note 10)*:			
Software	1,151,866	1,691,083	12,386
Other	212,176	236,193	2,281
Total intangible assets	1,364,042	1,927,277	14,667
Long-term loans	438,058	378,951	4,710
Deposits for business space *(Note 14)*	2,139,695	2,185,073	23,007
Prepaid pension expenses *(Note 6)*	–	94,368	–
Deferred income taxes *(Note 11)*	641,099	369,988	6,894
Other assets, net	87,573	181,812	942
	¥43,439,125	¥42,899,208	$467,087

	March 31,		
	2010	2009	2010
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Liabilities and net assets			
Current liabilities:			
Short-term borrowings *(Notes 5 and 14)*	¥ 5,486,594	¥ 2,120,074	$ 58,996
Current portion of long-term debt *(Notes 5 and 14)*	1,654,132	1,637,292	17,786
Notes and accounts payable *(Notes 14 and 20)*:			
Trade	9,391,921	12,868,124	100,988
Affiliates	285,573	394,701	3,071
Accrued expenses	2,092,777	2,300,718	22,503
Accrued income taxes *(Note 11)*	92,299	44,908	992
Provision for relocation expenses	123,523	–	1,328
Other	2,477,039	1,921,463	26,635
Total current liabilities	21,603,861	21,287,284	232,300
Long-term debt *(Notes 5 and 14)*	7,422,887	5,368,349	79,816
Accrued pension and severance costs *(Note 6)*	186,586	77,954	2,006
Directors' and statutory auditors' retirement benefits	92,231	189,344	992
Deferred income taxes *(Note 11)*	168,654	179,348	1,813
Other	141,386	94,676	1,520
Commitments and contingent liabilities *(Notes 5 and 12)*			
Net assets *(Note 7)*:			
Common stock, without par value:			
Authorized: 20,000,000 shares			
Issued: 12,775,000 shares in 2010 and 2009	2,558,550	2,558,550	27,511
Capital surplus	711,499	711,499	7,651
Retained earnings	9,991,571	11,868,103	107,436
Common stock in treasury: 77,884 shares in 2010 and 15,275 shares in 2009	(97,872)	(11,213)	(1,052)
Net unrealized loss on other securities, net of taxes *(Note 15)*	(1,389)	(25,214)	(15)
Net unrealized gain on hedging instruments, net of taxes *(Note 16)*	2,748	948	30
Translation adjustments	(556,762)	(581,058)	(5,987)
Subscription rights to shares *(Note 8)*	21,381	–	230
Minority interests	1,193,791	1,180,632	12,836
Total net assets	13,823,518	15,702,249	148,640
	¥43,439,125	¥42,899,208	$467,087

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Operations

	Year ended March 31,			
	2010	**2009**	**2008**	**2010**
		(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating revenues *(Notes 19 and 20)*	¥105,561,308	¥113,225,704	¥120,228,386	$1,135,068
Operating expenses *(Notes 19 and 20)*:				
Cost of sales	83,809,256	90,721,969	96,359,302	901,175
Selling, general and administrative expenses *(Note 8)*	22,047,044	21,902,105	21,680,655	237,065
	105,856,300	112,624,075	118,039,957	1,138,240
Operating (loss) income	(294,992)	601,628	2,188,428	(3,172)
Non-operating income (expenses):				
Interest income	16,321	18,388	34,809	175
Interest expense	(173,882)	(143,612)	(135,928)	(1,870)
Equity in earnings (losses) of affiliates	9,310	88,808	(91,047)	100
Other, net *(Note 9)*	(1,347,690)	390,887	324,557	(14,491)
	(1,495,940)	354,471	132,390	(16,085)
(Loss) income before income taxes and minority interests	(1,790,933)	956,099	2,320,819	(19,257)
Income taxes *(Note 11)*:				
Current	182,726	480,465	997,868	1,965
Deferred	(714,329)	(6,730)	180,196	(7,681)
	(531,602)	473,735	1,178,065	(5,716)
Minority interests	(3,736)	(90,073)	(164,271)	(40)
Net (loss) income	¥ (1,263,067)	¥ 392,290	¥ 978,483	$ (13,581)

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Net unrealized (loss) gain on other securities, net of taxes *(Note 15)*	Net unrealized gain (loss) on hedging instruments, net of taxes *(Note 16)*	Translation adjustments	Subscription rights to shares *(Note 8)*	Minority interests	Total net assets
						(Thousands of yen)					
Balance at March 31, 2007	12,775,000	¥2,558,550	¥711,421	¥11,289,771	¥ (9,677)	¥ 13,707	¥ 4,068	¥ 7,144	¥ –	¥ 940,591	¥15,515,577
Cash dividends (¥30 per share)				(383,139)							(383,139)
Net income for the year ended March 31, 2008				978,483							978,483
Purchases of common stock in treasury					(1,293)						(1,293)
Sales of common stock in treasury			78		82						160
Other						(19,598)	(47,230)	(55,721)		45,559	(76,990)
Balance at March 31, 2008	12,775,000	2,558,550	711,499	11,885,115	(10,888)	(5,890)	(43,161)	(48,576)	–	986,150	16,032,797
Cash dividends (¥35 per share)				(446,994)							(446,994)
Net income for the year ended March 31, 2009				392,290							392,290
Change in scope of equity method				37,692							37,692
Purchases of common stock in treasury					(324)						(324)
Other						(19,323)	44,110	(532,481)		194,482	(313,212)
Balance at March 31, 2009	12,775,000	2,558,550	711,499	11,868,103	(11,213)	(25,214)	948	(581,058)	–	1,180,632	15,702,249
Cash dividends (¥35 per share)				(446,986)							(446,986)
Net loss for the year ended March 31, 2010				(1,263,067)							(1,263,067)
Change in scope of equity method				(166,478)							(166,478)
Purchases of common stock in treasury					(86,659)						(86,659)
Other						23,824	1,800	24,295	21,381	13,158	84,460
Balance at March 31, 2010	12,775,000	¥2,558,550	¥711,499	¥ 9,991,571	¥(97,872)	¥ (1,389)	¥ 2,748	¥(556,762)	¥21,381	¥1,193,791	¥13,823,518

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Net unrealized (loss) gain on other securities, net of taxes *(Note 15)*	Net unrealized gain (loss) on hedging instruments, net of taxes *(Note 16)*	Translation adjustments	Subscription rights to shares *(Note 8)*	Minority interests	Total net assets
						(Thousands of U.S. dollars) (Note 3)					
Balance at March 31, 2009	12,775,000	$27,511	$7,651	$127,614	$ (121)	$(271)	$10	$(6,248)	$ –	$12,695	$168,841
Cash dividends ($0.38 per share)				(4,806)							(4,806)
Net loss for the year ended March 31, 2010				(13,581)							(13,581)
Change in scope of equity method				(1,790)							(1,790)
Purchases of common stock in treasury					(932)						(932)
Other						256	19	261	230	141	908
Balance at March 31, 2010	12,775,000	$27,511	$7,651	$107,436	$(1,052)	$ (15)	$30	$(5,987)	$230	$12,836	$148,640

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,			
	2010	2009	2008	2010
	(Thousands of yen)			*(Thousands of U.S. dollars) (Note 3)*
Operating activities				
(Loss) income before income taxes and minority interests	¥(1,790,933)	¥ 956,099	¥ 2,320,819	$(19,257)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	1,143,430	1,095,961	1,111,740	12,295
(Decrease) increase in provision for allowance for doubtful accounts	(121,498)	75,299	(13,387)	(1,306)
Increase (decrease) in net provision for accrued pension and severance costs	108,631	3,542	(82,240)	1,168
Decrease (increase) in prepaid pension expenses	94,368	152,567	(246,936)	1,015
Interest and dividend income	(24,218)	(64,619)	(78,133)	(260)
Interest expense	173,882	143,612	135,928	1,870
Exchange (gain) loss, net	(3,881)	41,530	39,686	(42)
Equity in (earnings) losses of affiliates	(9,310)	(88,808)	91,047	(100)
(Gain) loss on sales of, and loss on disposal of property and equipment	(2,346)	51,922	141,546	(25)
Impairment losses on fixed assets	368,573	17,905	35,592	3,963
Loss (gain) on sales of investments in securities	55,056	26,704	(19,999)	592
Loss on revaluation of investments in affiliates	–	69,094	–	–
Loss on revaluation of investments in securities	8,513	190,061	90,879	92
Decrease (increase) in notes and accounts receivable	2,018,482	(748,177)	922,958	21,704
Decrease (increase) in inventories	368,269	(537,145)	(1,238,277)	3,960
(Decrease) increase in notes and accounts payable	(3,678,171)	329,200	(200,189)	(39,550)
(Increase) decrease in advance payment	(18,000)	197,209	739,175	(194)
Increase (decrease) in advance received	441,747	172,317	(916,872)	4,750
Decrease (increase) in bad debts on receivables	64,983	(70,138)	11,513	699
Other, net	601,106	357,418	368,220	6,464
Subtotal	(201,314)	2,371,558	3,213,070	(2,165)
Interest and dividends received	59,322	81,985	71,392	638
Interest paid	(159,159)	(153,922)	(145,746)	(1,711)
Income taxes paid	(195,685)	(899,433)	(1,266,258)	(2,104)
Income taxes refund	130,557	–	–	1,404
Payment for special termination benefits	(804,511)	–	–	(8,651)
Net cash used in (provided by) operating activities	(1,170,791)	1,400,187	1,872,458	(12,589)
Investing activities				
Purchases of property and equipment	(1,504,896)	(2,159,132)	(478,985)	(16,182)
Proceeds from sales of property and equipment	87,364	3,116	2,927	939
Purchases of investment in unconsolidated subsidiaries and affiliates	–	(14,907)	(27,000)	–
Purchases of intangible assets	(408,080)	(287,080)	(581,539)	(4,388)
Purchases of investments in securities	(77,048)	(264,658)	(240)	(828)
Proceeds from sales of investments in securities	202,541	2,185	20,000	2,178
Payments for purchase of investments in affiliate resulting in change in scope of consolidation	–	(160,301)	–	–
Long-term loans receivable made	(166,924)	(463)	(14,308)	(1,795)
Collection of long-term loans	68,127	59,392	153,585	733
Purchases of time deposits	(979)	(1,366)	(127,469)	(11)
Proceeds from maturity of time deposits	59,014	–	100,000	635
Increase in deposits for business space	(23,386)	(295,377)	(145,187)	(251)
Decrease in deposits for business space	71,592	76,345	70,598	770
Decrease (increase) in deposits with restrictions	–	20,593	(5,449)	–
Other, net	75,499	(22,691)	(55,585)	812
Net cash used in investing activities	(1,617,173)	(3,044,344)	(1,088,655)	(17,389)
Financing activities				
Increase (decrease) in short-term borrowings, net	3,349,104	(449,978)	275,480	36,012
Proceeds from long-term loans	3,661,590	4,000,000	1,200,000	39,372
Repayment of long-term loans	(1,654,567)	(1,262,741)	(1,188,272)	(17,791)
Dividends paid to stockholders	(446,527)	(449,824)	(377,810)	(4,801)
Dividends paid to minority interests	(40,339)	(120,000)	(122,473)	(434)
Other, net	(44,964)	(4,492)	(3,706)	(483)
Net cash provided by (used in) financing activities	4,824,294	1,712,962	(216,782)	51,874
Effect of exchange rate changes on cash and cash equivalents	12,014	(152,586)	(38,364)	129
Net increase (decrease) in cash and cash equivalents	2,048,343	(83,780)	528,654	22,025
Cash and cash equivalents at beginning of the year	6,091,048	6,174,828	5,646,173	65,495
Cash and cash equivalents at end of the year *(Note 18)*	¥ 8,139,392	¥ 6,091,048	¥ 6,174,828	$ 87,520

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2010

1. Summary of Significant Accounting Policies

a. Basis of preparation

JALUX Inc. (the “Company”) and its consolidated domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency as required by the Financial Instruments and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year’s classification except for the effects with respect to the adoption of new accounting standards.

b. Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

The balance sheet date of eight of the consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary, for the respective years.

All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions have been eliminated.

1. Summary of Significant Accounting Policies (continued)

c. Securities

Securities except for investments in an unconsolidated subsidiaries and affiliates are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of net assets, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the average method.

d. Derivatives

Derivatives positions are stated at fair value.

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Foreign receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met. In addition, the related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment of interest expense on the hedged items if certain conditions are met.

e. Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined as follows:

Merchandise:		
The Company	–	by the moving average method
Subsidiaries	–	principally by the first-in, first-out method
Real estate for sale	–	by the specific identification method Leasing real estates for sale are depreciated by applying the method of tangible fixed assets.
Supplies	–	by the last purchase price method

f. Property and equipment

Property and equipment is stated at cost and depreciation is computed as follows:

Flight equipment:

Depreciation of flight equipment is computed by the straight-line method based on the estimated useful lives of the respective assets.

1. Summary of Significant Accounting Policies (continued)

f. Property and equipment (continued)

Other property and equipment:

For the Company and the consolidated domestic subsidiaries, depreciation of the shops in airports and the buildings for rent is computed principally by the straight-line method and depreciation of other property and equipment is computed principally by the declining-balance method based on the useful lives stipulated in the Corporation Tax Law of Japan. The consolidated foreign subsidiaries principally adopt the straight-line method based on the estimated useful lives of the respective assets.

g. Software

Computer software intended for internal use is amortized by the straight-line method based on their estimated useful life.

h. Leased assets

Leased assets arising from transactions under finance lease agreements which do not transfer the ownership to the lessee is depreciated to residual value of zero by the straight-line method over the terms of the agreements. However, such finance lease agreements, contracted prior to April 1, 2008 continue to be accounted for by a method corresponding to that used for ordinary operating lease contracts.

i. Allowance for doubtful accounts

The allowance for doubtful accounts on specific receivables is provided at the estimate of the unrecoverable amounts. The allowance for doubtful accounts on other receivables is provided based on the historical rate of losses on receivables.

j. Accrued pension and severance costs

To provide for employees' severance indemnities and pension payments, net periodic pension and severance costs are computed based on the projected benefit obligation and the pension plan assets.

Past service cost is being amortized by the straight-line method over a period of 5 years.

The adjustment incurred during this fiscal year arising from revisions to the actuarial assumptions (the "actuarial assumption adjustment") is to be amortized by the straight-line method beginning the following fiscal year over a period of 5 years.

1. Summary of Significant Accounting Policies (continued)

k. Directors' and statutory auditors' retirement benefits

Reserve for directors', statutory auditors' and operating officers' retirement benefits is provided at the amount which would have been paid had all directors and statutory auditors resigned at the year end.

l. Provision for relocation expenses

Provision for relocation expenses is provided for the estimated amounts payable for relocation of the head office.

m. Cash equivalents

The Company and its consolidated subsidiaries define cash equivalents as highly liquid, short-term investments with an original maturity of three months or less.

2. Accounting Changes

Accounting Standard for Retirement Benefits

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) "(Accounting Standards Board of Japan (ASBJ) Statement No. 19 issued on July 31, 2008). This change has no impact on net loss for the year ended March 31, 2010.

Accounting Standard for Measurement of Inventories

Effective the year ended March 31, 2009, the Company and its consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9 issued on July 5, 2006).

Accounting Standard for Lease Transactions

Up to March 31, 2008, transactions under finance lease agreements which do not transfer the ownership of the leased assets were formerly accounted for by a method corresponding to that used for ordinary operating lease contracts. Effective April 1, 2008, the company and its consolidated subsidiaries adopted the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan (ASBJ) Statement No. 13 issued on June 17, 1993, amended on March 30, 2007) and the "Implementation Guidance on the Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 issued on January 18, 1994, amended on March 30, 2007). Accordingly, such finance lease agreements contracted on and after April 1, 2008 are being accounted for similarly as the ordinary sales and purchase transactions. However, such finance lease agreements contracted prior to April 1, 2008 continue to be accounted for by a method corresponding to that used for ordinary operating lease contracts.

2. Accounting Changes (continued)

Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective April 1, 2008, the Company and its consolidated subsidiaries adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006) and made revisions required for consolidated accounting.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥93.00 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2010, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. Inventories

Inventories at March 31, 2010 and 2009 were as follows:

	March 31,		
	2010	**2009**	**2010**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished products	¥6,019,685	¥6,596,654	$64,728
Real estate held for sale	217,067	1,364,489	2,334
Raw materials and supplies	108,746	95,431	1,169
	¥6,345,498	¥8,056,575	$68,231

The real estates held for sale of ¥1,373,549 thousand ($14,769 thousand) were transferred to property and equipment on March 31, 2010 because the Company changed the purpose of holding those real estates.

Revaluation loss included in "Cost of sales" amounted to ¥267,287 thousand ($2,874 thousand) and ¥25,545 thousand for the years ended March 31, 2010 and 2009.

5. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt at March 31, 2010 and 2009 consisted of the following:

	March 31, 2010	March 31, 2009	March 31, 2010
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Short-term Borrowings:			
Short-term Borrowings with collateral, at rates 1.16%	¥ 4,500,000	¥ –	$ 48,387
Short-term Borrowings without collateral, at rates ranging from 1.09% to 5.10%	986,594	2,120,074	10,609
	¥ 5,486,594	¥ 2,120,074	$ 58,996
Long-term debt:			
Loans with collateral, due 2009 to 2015, at rates ranging from 1.88% to 7.03%	¥ 4,268,346	¥ 1,126,620	$ 45,896
Loans without collateral, due 2009 to 2015, at rates ranging from 1.28% to 4.32%	4,230,811	5,358,000	45,493
Other	577,861	521,021	6,214
	9,077,019	7,005,641	97,602
Less current portion of long-term debt	(1,654,132)	(1,637,292)	(17,786)
	¥ 7,422,887	¥ 5,368,349	$ 79,816

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
2011	¥1,654,132	$17,786
2012	1,610,724	17,320
2013	3,774,800	40,589
2014	1,223,532	13,156
2015 and thereafter	813,829	8,751
	¥9,077,019	$97,602

Assets pledged as collateral at March 31, 2010 and 2009 are summarized as follows:

	March 31, 2010	March 31, 2009	March 31, 2010
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Land	¥1,803,987	¥ 152,947	$19,398
Buildings and structures, net of accumulated depreciation	1,714,991	919,653	18,441
Flight equipment, net of accumulated depreciation	661,476	890,677	7,113
Construction in process	872,468	–	9,381
	¥5,052,924	¥1,963,278	$54,333

5. Short-Term Borrowings and Long-Term Debt (continued)

The Company has entered into loan commitment agreements with banks in order to source funds for its operations smoothly.

The outstanding balance of loan commitment as of March 31, 2010 and 2009 were as follows:

	March 31,		
	2010	2009	2010
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Total commitment available	¥ 4,500,000	¥4,500,000	$ 48,387
Less amount utilized	(4,500,000)	–	(48,387)
Balance available	¥ –	¥4,500,000	$ –

6. 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 three domestic consolidated subsidiaries adopt lump-sum retirement plans and defined benefit pension plans. And the Company and overseas consolidated subsidiaries adopt defined contribution pension plans.

The projected benefit obligation and the funded status of the plans were as follows:

	March 31,		
	2010	2009	2010
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Projected benefit obligation	¥(3,368,264)	¥(3,302,334)	$(36,218)
Plan assets	2,544,721	2,499,071	27,363
Accrued pension and severance costs	186,586	77,954	2,006
Prepaid pension expenses	–	(94,368)	–
Net unrecognized amount	¥ (636,956)	¥ (819,676)	$ (6,849)

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

6. Accrued Pension and Severance Costs (continued)

The net unrecognized amount was as follows:

	March 31,		
	2010	2009	2010
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Actuarial assumption adjustment	¥(455,926)	¥(578,302)	$(4,902)
Post service cost	(181,030)	(241,373)	(1,947)
Net unrecognized amount	¥(636,956)	¥(819,676)	$(6,849)

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

	Year ended March 31,			
	2010	2009	2008	2010
	(Thousands of yen)			*(Thousands of U.S. dollars)*
Service cost	¥166,773	¥166,527	¥147,993	$1,793
Interest cost on projected benefit obligation	56,828	56,391	63,368	611
Expected return on plan assets	(60,795)	(65,485)	(68,820)	(654)
Amortization of actuarial assumption adjustment	130,994	102,245	41,327	1,409
Amortization of past service cost	60,343	60,343	–	649
Loss on transfer of retirement benefit plan	–	–	29,917	–
Net periodic pension and severance costs	¥354,143	¥320,022	¥213,786	$3,808

In addition to the net periodic pension and severance costs referred to above, special termination benefits of ¥804,511 thousand ($8,651 thousand) were accounted for non-operating expenses for the year ended March 31, 2010.

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

The assumptions used were as follows:

	2010	2009
Discount rate	1.8%	1.8%
Expected rate of return on plan assets	2.5%	2.5%

7. Net Assets

The Corporation Law of Japan provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus (except for distributions from additional paid-in capital) and retained earnings (except for distributions from the legal reserve) be appropriated to additional paid-in capital and the legal reserve, respectively, until the sum of additional paid-in capital and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the stockholders, or by the Board of Directors if certain conditions are met, but neither additional paid-in capital nor the legal reserve is available for distribution by resolution of the Board of Directors.

7. Net Assets (continued)

The total number and periodic changes in the number of shares of stock in issue and the total number and periodic changes in the number of shares of common stock in treasury for the years ended March 31, 2010 and 2009 were as follows:

	Year ended March 31, 2010			
	At March 31, 2009	Increase	Decrease	At March 31, 2010
		(Thousands of shares)		
Number of shares of stock in issue:				
Common stock	12,775	–	–	12,775
Number of shares of common stock in treasury:				
Common stock	15	63	–	77

The increase in common stock in treasury of 63 thousand shares during the current period resulted from purchase of 63 thousand shares in accordance with a decision made by the Board of Directors and the Company’s purchase of 0 thousand odd-lot shares of less than one unit at the request of the stockholders.

	Year ended March 31, 2009			
	At March 31, 2008	Increase	Decrease	At March 31, 2009
		(Thousands of shares)		
Number of shares of stock in issue:				
Common stock	12,775	–	–	12,775
Number of shares of common stock in treasury:				
Common stock	15	0	–	15

The increase in common stock in treasury of 0 thousand shares during the current period resulted from the Company’s purchase of 0 thousand odd-lot shares of less than one unit at the request of the stockholders.

8. Stock Options

The Company adopted the stock option plan under which share subscription rights are granted to directors and operating officers of the Company in accordance with the Corporation Law.

The description of stock options for the year ended March 31, 2010 are as follows:

	2009 Stock Option Plan
Individuals covered by the plan	7 directors of the Company 6 operating officers of the Company
Type and number of shares to be issued upon the exercise of the share subscription rights	23,600 shares of common stock
Granted date	October 29, 2009
Vesting conditions	No provisions
Vesting period	No provisions
Exercise period	October 30, 2009 – October 29, 2039

The changes in the size of stock options for the year ended March 31, 2010 are as follows:

	2009 Stock Option Plan
Share subscription rights which are not yet vested *(Number of shares)*	
Outstanding as of March 31, 2009	–
Granted	23,600
Forfeited	–
Vested	(23,600)
Outstanding as of March 31, 2010	–
Share subscription rights which have already been vested *(Number of shares)*	
Outstanding as of March 31, 2009	–
Vested	23,600
Exercised	–
Forfeited	–
Outstanding as of March 31, 2010	23,600
Exercise price (yen)	¥ 1
Weighted average fair value per stock at the exercising date (yen)	–
Fair value per stock option at the granted date (yen)	1,208
Exercise price (U.S. dollars)	$ 0.01
Weighted average fair value per stock at the exercising date (U.S. dollars)	–
Fair value per stock option at the granted date (U.S. dollars)	12.99

8. Stock Options (continued)

Stock option expense included in “Selling, general and administrative expenses” for the year ended March 31, 2010 amounted to ¥21,381 thousand ($230 thousand). The fair value of options granted is estimated by using the Black-Scholes model with the following assumptions.

	2009 Stock Option Plan
Expected volatility	28.968%
Expected holding period	2.5 years
Expected dividend	¥35 per share
Risk-free rate	0.3412%

The expected volatility of the share price is estimated based on the market fair value for the past 2.5 years (from May 2007 to October 2009).

The expected holding period is estimated based on the service period as directors and the age at retirement of the directors in the past.

The expected dividend is estimated based on dividends paid for the year ended March 31, 2009.

Risk-free rate is the yield on government bonds for the period that corresponds to the remaining life of the stock option.

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, 2010, 2009 and 2008 were as follows:

	Year ended March 31,			
	2010	2009	2008	2010
	(Thousands of yen)			*(Thousands of U.S. dollars)*
Dividends received	¥ 7,897	¥ 46,230	¥ 43,323	$ 85
Exchange gain, net	99,547	544,250	446,493	1,070
Brokerage commission received	47,661	53,194	53,292	512
Gain on sales of property and equipment	44,575	2,906	–	479
Gain on sales of investments in securities	70,966	–	19,999	763
Gain on reversal of allowance for doubtful accounts	8,356	–	4,654	90
Gain on reversal of reserve for bonuses to officers	–	–	15,010	–
Commission paid	(50,839)	(24,339)	(24,796)	(547)
Nondeductible consumption tax	(65,400)	–	–	(703)
Loss on sales and disposal of property and equipment	(42,229)	(54,828)	(141,546)	(454)
Impairment losses on fixed assets	(368,573)	(17,905)	(35,592)	(3,963)
Loss on sales of investments in securities	(126,023)	(26,704)	–	(1,355)
Loss on revaluation of investments in securities	(8,513)	(190,061)	(90,879)	(92)
Loss on revaluation of investments in non-consolidated subsidiaries and affiliates	–	(69,094)	–	–
Loss on closing stores	–	–	(20,265)	–
Loss on transfer of retirement benefit plan	–	–	(29,917)	–
Special termination benefits	(804,511)	–	–	(8,651)
Other, net	(160,604)	127,239	84,781	(1,727)
	¥(1,347,690)	¥ 390,887	¥ 324,557	$(14,491)

10. Impairment of Fixed Assets

For the year ended March 31, 2010, the Company and a consolidated subsidiary recognized impairment losses on fixed assets of ¥368,573 thousand ($3,963 thousand), and for the years ended March 31 2009 and 2008 the Company recognized impairment losses on fixed asset of ¥17,095 thousand and ¥35,592 thousand which consisted of the following:

			Year ended March 31,			
Location	**Use**	**Classification**	**2010**	**2009**	**2008**	**2010**
			(Thousands of yen)			*(Thousands of U.S. dollars)*
Tokoname-shi, Aichi and other 4 shops	Airport shops	Buildings, furniture and other	¥ 23,211	–	–	$ 250
Shinagawa-ku, Tokyo	Head office assets	Buildings, furniture, software and other	¥244,756	–	–	$2,632
Shinagawa-ku, Tokyo and other	Business assets	Buildings, furniture, software and other	¥ 3,951	–	–	$ 42
Ito-shi, Shizuoka	Idle assets	Land	¥ 12,327	–	–	$ 133
California, America	Business assets	Flight equipment	¥ 84,327	–	–	$ 907
Ikeda-shi, Osaka and other 5 shops	Airport shops	Buildings, furniture and other		¥17,905	–	–
Kobe-shi, Hyogo and other 4 shops	Airport shops	Buildings, furniture and other	–		¥35,592	–

The Company and its consolidated subsidiaries base its grouping for assessing the impairment loss on fixed assets on the smallest identifiable groups of assets which generate cash inflows and which are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses on Business assets including airport shops were recognized due to significant decrease in expected future cash flows on the strategy plan. Impairment losses on head office assets were recognized due to decrease in estimated recoverable amounts resulting from the restructuring of business structure and the decision of head office relocation. Impairment losses on idle assets were recognized due to significant decrease in fair value.

The recoverable amount of each group of assets was measured by their usage value and future cash flows at discount rates from 2.7% to 5.0%, 3.7% and 5.0% for the years ended March 31, 2010, 2009 and 2008, respectively.

11. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	March 31,		
	2010	2009	2010
	(Thousands of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Accrued bonuses	¥ 181,252	¥ 241,208	$ 1,949
Allowance for doubtful accounts	39,428	72,845	424
Elimination of unrecognized gain on intercompany accounts and transactions	71,664	78,168	771
Directors' and statutory auditors' retirement benefits	37,482	100,067	403
Accrued pension and severance costs	76,230	31,929	820
Impairment losses on fixed assets	199,624	62,470	2,146
Loss on revaluation of inventories	82,743	42,029	890
Loss on revaluation of investments in securities	12,171	93,666	131
Loss on revaluation of other investments	6,173	37,693	66
Tax loss carryforwards	612,580	30,192	6,587
Other	362,778	125,441	3,901
	1,682,128	915,714	18,087
Valuation allowance	(99,464)	(68,760)	(1,070)
Total deferred tax assets	1,582,663	846,954	17,018
Deferred tax liabilities:			
Accumulated retained earnings of consolidated subsidiaries	(74,832)	(41,476)	(805)
Depreciation	(198,552)	(179,257)	(2,135)
Prepaid pension expenses	–	(38,398)	–
Other	(28,183)	(6,727)	(303)
Total deferred tax liabilities	(301,568)	(265,860)	(3,243)
Net deferred tax assets	¥1,281,095	¥ 581,093	¥13,775

For the year ended March 31, 2010 a reconciliation between the statutory tax rate and the effective tax rate was not required to be disclosed since the Company and its consolidated subsidiaries recorded loss before income taxes and minority interests.

Reconciliations between the statutory tax rate and the effective tax rates for the years ended March 31, 2009 and 2008 were presented as follows:

	Year ended March 31,	
	2009	2008
Statutory tax rate	40.69%	40.69%
Disallowed expenses, including entertainment expenses	12.10	5.48
Inhabitants' per capita taxes	1.74	0.68
Changes in valuation allowance	–	1.76
Equity in (earnings) losses of affiliates	(3.78)	1.60
Other	0.21	0.55
Effective tax rate	50.96%	50.76%

12. Leases

As lessee under financing leases contracted prior to April 1, 2008

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property held under financing accounted for as operating leases at March 31, 2010 and 2009, and the related depreciation and interest expense for the years ended March 31, 2010, 2009 and 2008, respectively, which would have been reflected in the consolidated balance sheets and the related consolidated statements of income:

	March 31, 2010		
	Property and equipment – other	Software	Total
	(Thousands of yen)		
Acquisition costs	¥63,566	¥9,195	¥72,761
Less accumulated depreciation	48,535	8,072	56,608
Net book value	¥15,030	¥1,122	¥16,153

	March 31, 2010		
	Property and equipment – other	Software	Total
	(Thousands of U.S. dollars)		
Acquisition costs	$684	$99	$782
Less accumulated depreciation	522	87	609
Net book value	$162	$12	$174

	March 31, 2009		
	Property and equipment – other	Software	Total
	(Thousands of yen)		
Acquisition costs	¥116,264	¥11,551	¥127,816
Less accumulated depreciation	79,713	8,158	87,871
Net book value	¥ 36,550	¥ 3,393	¥ 39,944

	Year ended March 31,			
	2010	**2009**	**2008**	**2010**
	(Thousands of yen)			*(Thousands of U.S. dollars)*
Depreciation expense	¥23,791	¥25,990	¥46,687	$256
Interest expense	¥ 722	¥ 1,237	¥ 2,936	$ 8

12. Leases (continued)

As lessee under financing leases contracted prior to April 1, 2008 (continued)

No impairment loss had been recognized on leased property for the years ended March 31, 2010, 2009 and 2008.

Lease expenses relating to the financing leases accounted for as operating leases amounted to ¥25,886 thousand ($278 thousand), ¥27,375 thousand and ¥49,644 thousand for the years ended March 31, 2010, 2009 and 2008, respectively.

Future rental expenses under financing leases accounted for as operating leases outstanding at March 31, 2010 and 2009 are summarized as follows:

	March 31,		
	2010	**2009**	**2010**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥14,033	¥25,164	$151
Over 1 year	5,025	19,059	54
	¥19,059	¥44,223	$205

As lessee under operating leases

Future rental expenses under operating leases outstanding at March 31, 2010 and 2009 are summarized as follows:

	March 31,		
	2010	**2009**	**2010**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥115,195	¥112,719	$1,239
Over 1 year	215,352	294,104	2,316
	¥330,548	¥406,731	$3,554

As lessor under financing leases

The annual collections of lease receivables subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
2011	¥34,265	$368
2012	25,681	276
2013	24,096	259
2014	19,869	214
2015	16,364	176
2016 and thereafter	10,532	113

12. Leases (continued)

As lessor under financing leases (continued)

The annual collections of lease receivables subsequent to March 31, 2009 were summarized as follows:

Year ending March 31,	*(Thousands of yen)*
2010	¥48,767
2011	30,896
2012	22,117
2013	21,804
2014	17,432
2015 and thereafter	26,670

As lessor under operating leases

Future rental revenues under operating leases outstanding at March 31, 2010 and 2009 are summarized as follows:

	March 31,		
	2010	**2009**	**2010**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 773,329	¥ 635,483	$ 8,315
Over 1 year	3,605,082	1,903,104	38,764
	¥4,378,412	¥2,538,588	$47,080

As lessee and lessor under subleases

The Company subleases equipment to a third party, and the lease agreements between the two original parties remain in effect. The original and the sublease agreements are operating leases.

Future rental revenues as lessor under the sublease agreements outstanding at March 31, 2010 and 2009 are summarized as follows:

	March 31,		
	2010	**2009**	**2010**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥1,765,105	¥1,853,628	$18,980
Over 1 year	5,348,267	6,446,460	57,508
	¥7,113,373	¥8,300,089	$76,488

12. Leases (continued)

As lessee and lessor under subleases (continued)

Future rental expenses as lessee under the original lease agreements outstanding at March 31, 2010 and 2009 are summarized as follows:

	March 31,		
	2010	**2009**	**2010**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥1,695,023	¥ 1,756,203	$ 18,226
Over 1 year	7,750,923	9,115,486	83,343
	¥9,445,946	¥10,871,689	$101,569

13. Amounts Per Share

Net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each year after giving effect to the potentially dilutive securities to be issued upon the exercise of stock options. However, diluted net income per share had not been presented since the Company and its consolidated subsidiaries posted a net loss per share for the year ended March 31, 2010 and the Company and its consolidated subsidiaries did not issue any potentially dilutive stocks for the year ended March 31, 2009.

	Year ended March 31,			
	2010	**2009**	**2008**	**2010**
		(Yen)		*(U.S. dollars)*
Net (loss) income per share	¥(99.28)	¥30.74	¥76.68	$(1.068)

Net assets per share are computed based on the number of shares of common stock outstanding at each balance sheet date.

	March 31,		
	2010	**2009**	**2010**
	(Yen)		*(U.S. dollars)*
Net assets per share	¥993.01	¥1,138.08	$10.678

The following table sets forth the basis of the computation of net income per share for the years ended March 31, 2010, 2009 and 2008:

	Year ended March 31,			
	2010	**2009**	**2008**	**2010**
	(Thousands of yen, except share)			*(Thousands of U.S. dollars, except share)*
Net (loss) income	¥(1,263,067)	¥392,290	¥978,483	$(13,581)
Net (loss) income available to stockholders of shares of common stock	¥(1,263,067)	¥392,290	¥978,483	$(13,581)
Weighted average number of shares of common stock outstanding	12,722,092	12,759,809	12,760,491	12,722,092

14. Financial Instruments

Effective the year ended March 31, 2010, “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on March 10, 2008) and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 10, 2008) have been adopted.

Policy for financial instruments

The Company and its consolidated subsidiaries (the “Group”) manage temporary cash surpluses mainly through short-term deposits. Further, the Group raises short-term capital through bank borrowings.

Types of financial instruments and related risk

Notes and accounts receivable are exposed to credit risk in relation to customers. In addition, the Company is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts.

Marketable securities and investment securities are composed of mainly stocks. Those securities are exposed to market risk.

Deposits for business space are composed of mainly deposits for rental spaces of the airport buildings. Those deposits are exposed to credit risk in relation to counterparties.

All notes and accounts payable have payment due dates within one year. Although the Company is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, foreign exchange contracts are arranged to reduce the risk.

Short-term borrowings are raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Company utilizes interest rate swap transactions as a hedging instrument.

A certain subsidiary has the hybrid financial instrument (bond) with embedded derivative.

14. Financial Instruments (continued)

Risk management for financial instruments

a. Monitoring of credit risk (the risk that customers or counterparties may default)

   In accordance with the internal policies of the Group for managing credit risk arising from receivables and deposits for business space, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

   The Group believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have the high credit-rating.

b. Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

   For accounts receivables and payables denominated in foreign currencies, the Company enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Company may also enter into interest rate swap transactions if certain conditions are met.

   For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities should be maintained taking into account their fair values and relationships with the issuers.

   In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions.

c. Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

   Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments and estimated fair value on the consolidated balance sheet as of March 31, 2010 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

14. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	March 31, 2010		
	Carrying value	Estimated fair value	Difference
	(Thousands of yen)		
Assets			
Cash and time deposits	¥ 8,143,114	¥ 8,143,114	¥ –
Trade notes and accounts receivable	9,732,202	9,732,202	–
Other notes and accounts receivable	2,389,436	2,389,436	–
Investment securities	240,466	240,466	–
Total assets	¥20,505,219	¥20,505,219	¥ –
Liabilities			
Trade notes and accounts payable	¥ 9,677,495	¥ 9,677,495	¥ –
Short-term borrowings	5,486,594	5,486,594	–
Long-term debt *(*1)*	8,499,157	8,475,143	(24,014)
Total liabilities	¥23,663,247	¥23,639,233	¥(24,014)
Derivatives *(*2)*	¥ 4,634	¥ 4,634	¥ –

	March 31, 2010		
	Carrying value	Estimated fair value	Difference
	(Thousands of U.S. dollars)		
Assets			
Cash and time deposits	$ 87,560	$ 87,560	$ –
Trade notes and accounts receivable	104,647	104,647	–
Other notes and accounts receivable	25,693	25,693	–
Investment securities	2,586	2,586	–
Total assets	$220,486	$220,486	$ –
Liabilities			
Trade notes and accounts payable	$104,059	$104,059	$ –
Short-term borrowings	58,996	58,996	–
Long-term debt *(*1)*	91,389	91,131	(258)
Total liabilities	$254,444	$254,185	$(258)
Derivatives *(*2)*	$ 50	$ 50	$–

*1. Long-term debt includes current portion of long-term debt.

*2. The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

14. Financial Instruments (continued)

Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

a. Cash and time deposits, Trade notes and accounts receivable and Other notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

b. Investment securities

The fair value of stocks is based on quoted market prices. The fair value of investment trusts and debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities.

c. Trade notes and accounts payable and Short-term borrowings

Since these items are settled in a short period of time, their carrying value approximates fair value.

d. Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new debt agreements were entered into.

e. Derivative transactions

Please refer to Note 16 Derivatives of the notes to the consolidated financial statements. The fair value information of embedded derivative of the hybrid financial instrument is included in Note 15 Securities.

Financial instruments for which it is extremely difficult to determine the fair value

	March 31, 2010	
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Unlisted stocks	¥2,022,832	$21,751
Deposits for business space	2,139,695	23,007

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table.

14. Financial Instruments (continued)

Redemption schedule for receivables and marketable securities with maturities at March 31, 2010

	March 31, 2010			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of yen)			
Cash and time deposits	¥ 8,074,761	¥–	¥–	¥ –
Trade notes and accounts receivable	9,732,202	–	–	–
Other notes and accounts receivable	2,389,436	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	100,000
Total	¥20,196,400	¥–	¥–	¥100,000

	March 31, 2010			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of U.S. dollars)			
Cash and time deposits	$ 86,825	$–	$–	$ –
Trade notes and accounts receivable	104,647	–	–	–
Other notes and accounts receivable	25,693	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	1,075
Total	$217,166	$–	$–	$1,075

15. Securities

The Company and its consolidated subsidiaries did not possess any trading securities or held-to-maturity securities at March 31, 2010 and 2009. Securities classified as other securities have been included in “investments and advances – other” in the accompanying consolidated balance sheets at March 31, 2010 and 2009.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2010 and 2009 are summarized as follows:

	March 31, 2010		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of yen)		
Unrealized gain:			
Stocks	¥129,589	¥92,277	¥ 37,311
	129,589	92,277	37,311
Unrealized loss:			
Stocks	13,160	20,020	(6,860)
Bonds:			
Other	82,160	100,000	(17,840)
Other	15,557	20,000	(4,442)
	110,877	140,020	(29,142)
Total	¥240,466	¥232,297	¥ 8,168

	March 31, 2010		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Unrealized gain:			
Stocks	$1,393	$ 992	$ 401
	1,393	992	401
Unrealized loss:			
Stocks	142	215	(74)
Bonds:			
Other	883	1,075	(192)
Other	167	215	(48)
	1,192	1,506	(313)
Total	$2,586	$2,498	$ 88

15. Securities (continued)

	March 31, 2009		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of yen)		
Unrealized gain:			
Stocks	¥ 36,969	¥ 20,241	¥ 16,728
	36,969	20,241	16,728
Unrealized loss:			
Stocks	144,271	155,940	(11,668)
Bonds:			
Other	92,130	100,000	(7,870)
Other	13,197	23,810	(10,613)
	249,599	279,751	(30,151)
Total	¥286,568	¥299,992	¥ (13,423)

Non-marketable securities classified as other securities at March 31, 2010 and 2009 amounted to ¥159,731 thousand ($1,718 thousand) and ¥176,816 thousand, respectively.

Proceeds from sales of securities classified as other securities and the aggregate gain and loss for the year ended March 31, 2010, 2009 and 2008 were as follows.

	March 31, 2010	
	(Thousands of yen)	(Thousands of U.S. dollars)
Sales proceeds:		
Stocks	¥135,763	$1,460
Other	2,367	25
	¥138,131	$1,485
Aggregate gain:		
Stocks	¥ 22,616	$ 243
Other	12	0
	¥ 22,628	$ 243
Aggregate loss:		
Stocks	¥ 27,785	$ 299
Other	374	4
	¥ 28,160	$ 303

	March 31	
	2009	2008
	(Thousands of yen)	
Sales proceeds	¥ 2,185	¥20,000
Aggregate gain	–	19,999
Aggregate loss	26,704	–

16. Derivative Transactions

The Company utilizes forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies.

The notional amounts and the estimated fair value of the forward foreign exchange contracts outstanding at March 31, 2010, for which deferral hedged accounting has been applied, are summarized as follows:

	March 31, 2010	
Maturing within one year	Notional amount	Fair value
	(Thousands of yen)	
Sell:		
USD	¥ 525,874	¥(14,474)
Buy:		
USD	934,965	20,765
EUR	121,506	(2,257)
Others	25,212	601
Total	¥1,607,557	¥ 4,634

	March 31, 2010	
Maturing within one year	Notional amount	Fair value
	(Thousands of U.S. dollars)	
Sell:		
USD	$ 5,655	$(156)
Buy:		
USD	10,053	223
EUR	1,307	(24)
Others	271	6
Total	$17,286	$ 50

Foreign receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met. The notional amounts of the forward foreign exchange contracts accounted for as part of accounts receivable or payable outstanding at March 31, 2010, are summarized as follows:

	March 31, 2010	
Maturing within one year	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Sell:		
USD	¥ 275,885	$ 2,967
Buy:		
USD	963,863	10,364
EUR	10,231	110
Others	13,121	141
Total	¥1,263,100	$13,582

16. Derivative Transactions (continued)

The Company also utilizes interest rate swap transactions to reduce fluctuation risk deriving from interest payable for long-term debt bearing interest at variable rates. The related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment of interest expense on the hedged items if certain conditions are met. The notional amounts of the interest-rate swaps hedging long-term debt outstanding at March 31, 2010, are summarized as follows:

	March 31, 2010	
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Maturing within one year	¥200,000	$2,151
Maturing after one year	420,000	4,516
Total	¥620,000	$6,667

The notional amounts of derivatives are not necessarily indicative of the actual market risk involved in derivative transactions.

17. Investment and Rental Properties

Effective the fiscal year ended March 31, 2010, "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20 issued on November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008) have been adopted.

The Company and a certain consolidated subsidiary own buildings and lands for lease mainly in Tokyo and other areas. The carrying value in the consolidated balance sheet and corresponding fair value of those properties are as follows:

Carrying Value			Fair Value
March 31, 2010	Net change	March 31, 2009	March 31, 2010
(Thousands of yen)			
¥5,771,428	¥2,663,457	¥3,107,971	¥5,182,421

Carrying Value			Fair Value
March 31, 2010	Net change	March 31, 2009	March 31, 2010
(Thousands of U.S. dollars)			
$62,058	$28,639	$33,419	$55,725

The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.

The components of net change in carrying value include increases mainly due to acquisitions in the amount of ¥1,360,577 thousand ($14,630 thousand) and transfers from real estate held for sale in the amount of ¥1,373,549 thousand ($14,769 thousand), and decreases mainly due to depreciation in the amount of ¥58,342 thousand ($627 thousand).

18. Cash Flow Information

The components of cash and cash equivalents are summarized as follows:

	March 31,		
	2010	2009	2010
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Cash and time deposits	¥8,143,114	¥6,151,963	$87,560
Time deposits with maturities of more than three months	(3,721)	(60,200)	(40)
Credit balances of current accounts included in short-term bank loans	–	(714)	–
	¥8,139,392	¥6,091,048	$87,520

The following is the summary of assets acquired and liabilities assumed through the acquisition of shares of SHUFUNOTOMO DIRECT Co., Ltd. for the year ended March 31, 2009, relating acquisition cost and net disbursement:

	(Thousands of yen)
Current assets	¥1,081,664
Fixed assets	121,618
Goodwill	208,949
Current liabilities	(603,684)
Long-term liabilities	(118,135)
Minority interests	(234,912)
Acquisition cost	455,500
Cash and cash equivalents	295,198
Net disbursement due to the share acquisition	¥ 160,301

19. Segment Information

The Company and its consolidated subsidiaries conduct worldwide operations in aviation-related, corporate solutions, travel retail and food & beverage business.

The primary products and services for each of the new reportable segments are as follows:

Business segment	Main product and sales
Aviation-related business	Aircraft, Aircraft components, Machinery & Facilities, Materials, Cabin service supply, Textiles supply, Clothing & Uniform
Corporate solutions business	Printing, Insurance, Real estate, Property management
Travel retail business	Cabin service supply, Brand & Fashion, Mail-order sales, Overseas real estate, Souvenir & Specialty goods, Restaurant, Duty-free items
Food & beverage business	Agriculture & marine products, Processed foods, Wine, Food gift items

19. Segment Information (continued)

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 are summarized as follows:

	Year ended March 31, 2010						
	Aviation-related business	Corporate solution business	Travel retail business	Food & beverage business	Total	General corporate assets and intercompany eliminations	Consolidated
				(Thousands of yen)			
Sales to outside parties	¥27,739,967	¥14,803,458	¥41,275,049	¥21,742,832	¥105,561,308	¥ –	¥105,561,308
Inter-segment sales and transfers	4,173	85,392	24,825	49,612	164,003	(164,003)	–
Total	27,744,140	14,888,851	41,299,874	21,792,445	105,725,311	(164,003)	105,561,308
Operating expenses	26,678,241	13,947,258	41,358,936	21,290,940	103,275,377	2,580,923	105,856,300
Operating income (loss)	¥ 1,065,899	¥ 941,592	¥ (59,061)	¥ 501,504	¥ 2,449,934	¥(2,744,927)	¥ (294,992)
Depreciation and amortization	¥ 352,862	¥ 19,628	¥ 350,170	¥ 26,909	¥ 749,571	¥ 393,858	¥ 1,143,430
Impairment losses on fixed assets	¥ 88,808	¥ 6,164	¥ 24,618	¥ 116	¥ 119,707	¥ 248,865	¥ 368,573
Capital expenditures	¥ 170,999	¥ 1,418,286	¥ 400,047	¥ 58,116	¥ 2,047,449	¥ 67,844	¥ 2,115,293
Identifiable assets	¥ 9,728,978	¥ 8,527,383	¥11,652,521	¥ 6,490,217	¥ 36,399,100	¥ 7,040,024	¥ 43,439,125

	Year ended March 31, 2010						
	Aviation-related business	Corporate solution business	Travel retail business	Food & beverage business	Total	General corporate assets and intercompany eliminations	Consolidated
				(Thousands of U.S. dollars)			
Sales to outside parties	$298,279	$159,177	$443,818	$233,794	$1,135,068	$ –	$1,135,068
Inter-segment sales and transfers	45	918	267	533	1,763	(1,763)	–
Total	298,324	160,095	444,085	234,327	1,136,831	(1,763)	1,135,068
Operating expenses	286,863	149,971	444,720	228,935	1,110,488	27,752	1,138,240
Operating income (loss)	$ 11,461	$ 10,125	$ (635)	$ 5,393	$ 26,343	$(29,515)	$ (3,172)
Depreciation and amortization	$ 3,794	$ 211	$ 3,765	$ 289	$ 8,060	$ 4,235	$ 12,295
Impairment losses on fixed assets	$ 955	$ 66	$ 265	$ 1	$ 1,287	$ 2,676	$ 3,963
Capital expenditures	$ 1,839	$ 15,250	$ 4,302	$ 625	$ 22,016	$ 730	$ 22,745
Identifiable assets	$104,613	$ 91,692	$125,296	$ 69,787	$ 391,388	$ 75,699	$ 467,087

	Year ended March 31, 2009						
	Aviation-related business	Corporate solution business	Travel retail business	Food & beverage business	Total	General corporate assets and intercompany eliminations	Consolidated
				(Thousands of yen)			
Sales to outside parties	¥31,968,583	¥17,159,203	¥43,346,717	¥20,751,200	¥113,225,704	¥ –	¥113,225,704
Inter-segment sales and transfers	8,575	78,170	16,407	27,186	130,340	(130,340)	–
Total	31,977,158	17,237,374	43,363,125	20,778,386	113,356,045	(130,340)	113,225,704
Operating expenses	31,179,193	15,898,257	42,592,897	20,082,035	109,752,383	2,871,692	112,624,075
Operating income	¥ 797,965	¥ 1,339,116	¥ 770,227	¥ 696,351	¥ 3,603,661	¥(3,002,032)	¥ 601,628
Depreciation and amortization	¥ 373,803	¥ 30,866	¥ 292,318	¥ 23,098	¥ 720,087	¥ 375,873	¥ 1,095,961
Impairment losses on fixed assets	¥ –	¥ –	¥ 17,905	¥ –	¥ 17,905	¥ –	¥ 17,905
Capital expenditures	¥ 59,699	¥ 1,938,501	¥ 293,786	¥ 13,353	¥ 2,305,341	¥ 240,604	¥ 2,545,945
Identifiable assets	¥11,425,781	¥ 6,941,408	¥11,947,400	¥ 6,341,000	¥ 36,655,591	¥ 6,243,616	¥ 42,899,208

19. Segment Information (continued)

	Year ended March 31, 2008						
	Aviation-related business	Corporate solution business	Travel retail business	Food & beverage business	Total	General corporate assets and intercompany eliminations	Consolidated
				(Thousands of yen)			
Sales to outside parties	¥34,240,826	¥18,745,724	¥46,999,899	¥20,241,936	¥120,228,386	¥ –	¥120,228,386
Inter-segment sales and transfers	10,599	84,975	6,773	76,795	179,144	(179,144)	–
Total	34,251,426	18,830,699	47,006,673	20,318,731	120,407,531	(179,144)	120,228,386
Operating expenses	33,171,532	16,925,809	45,200,783	19,587,864	114,885,990	3,153,967	118,039,957
Operating income	¥ 1,079,893	¥ 1,904,890	¥ 1,805,889	¥ 730,867	¥ 5,521,540	¥(3,333,111)	¥ 2,188,428
Depreciation and amortization	¥ 427,789	¥ 30,750	¥ 280,069	¥ 29,775	¥ 768,384	¥ 343,355	¥ 1,111,740
Impairment losses on fixed assets	¥ –	¥ –	¥ 35,592	¥ –	¥ 35,592	¥ –	¥ 35,592
Capital expenditures	¥ 182,601	¥ 38,939	¥ 529,727	¥ 51,652	¥ 802,921	¥ 320,228	¥ 1,123,149
Identifiable assets	¥12,005,843	¥ 5,213,064	¥11,788,522	¥ 5,655,109	¥ 34,662,540	¥ 6,912,404	¥ 41,574,944

Unallocated operating expenses included in "General corporate assets and intercompany eliminations" for the years ended March 31, 2010, 2009 and 2008 amounted to ¥2,749,046 thousand ($29,560 thousand), ¥2,997,075 thousand and ¥3,585,467 thousand, respectively, and consisted primarily of administrative expenses incurred at the Company's headquarters.

In addition, unallocated assets included in "General corporate assets and intercompany eliminations" at March 31, 2010, 2009 and 2008 amounted to ¥7,080,076 thousand ($76,130 thousand), ¥6,288,474 thousand and ¥6,910,902 thousand, respectively, and consisted primarily of cash and cash equivalents, investments in securities and assets belonging to the headquarters of the Company.

The geographical segment information of the Company and the consolidated subsidiaries for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

	Year ended March 31, 2010					
	Japan	North America	Other overseas counties	Total	General corporate assets and intercompany eliminations	Consolidated
			(Thousands of yen)			
Sales to outside parties	¥102,375,940	¥ 1,928,760	¥1,256,606	¥105,561,308	¥ –	¥105,561,308
Inter-segment sales and transfers	525,701	10,669,879	561,574	11,757,154	(11,757,154)	–
Total	102,901,642	12,598,639	1,818,180	117,318,463	(11,757,154)	105,561,308
Operating expenses	103,409,528	12,355,846	1,804,940	117,570,315	(11,714,014)	105,856,300
Operating (loss) income	¥ (507,886)	¥ 242,793	¥ 13,240	¥ (251,852)	¥ (43,140)	¥ (294,992)
Identifiable assets	¥ 38,488,220	¥ 5,947,684	¥ 689,600	¥ 45,125,506	¥ (1,686,380)	¥ 43,439,125

19. Segment Information (continued)

	Year ended March 31, 2010					
	Japan	North America	Other overseas counties	Total	General corporate assets and intercompany eliminations	Consolidated
			(Thousands of U.S. dollars)			
Sales to outside parties	$1,100,817	$ 20,739	$13,512	$1,135,068	$ –	$1,135,068
Inter-segment sales and transfers	5,653	114,730	6,038	126,421	(126,421)	–
Total	1,106,469	135,469	19,550	1,261,489	(126,421)	1,135,068
Operating expenses	1,111,930	132,859	19,408	1,264,197	(125,957)	1,138,240
Operating (loss) income	$ (5,461)	$ 2,611	$ 142	$ (2,708)	$ (464)	$ (3,172)
Identifiable assets	$ 413,852	$ 63,954	$ 7,415	$ 485,220	$ (18,133)	$ 467,087

	Year ended March 31, 2009					
	Japan	North America	Other overseas counties	Total	General corporate assets and intercompany eliminations	Consolidated
			(Thousands of yen)			
Sales to outside parties	¥108,315,637	¥ 3,452,180	¥1,457,886	¥113,225,704	¥ –	¥113,225,704
Inter-segment sales and transfers	349,046	13,562,186	1,516,201	15,427,434	(15,427,434)	–
Total	108,664,684	17,014,366	2,974,087	128,653,138	(15,427,434)	113,225,704
Operating expenses	107,887,165	16,674,280	2,922,390	127,483,836	(14,859,760)	112,624,075
Operating income	¥ 777,519	¥ 340,085	¥ 51,696	¥ 1,169,302	¥ (567,673)	¥ 601,628
Identifiable assets	¥ 36,745,178	¥ 7,392,641	¥ 518,557	¥ 44,656,377	¥ (1,757,169)	¥ 42,899,208

	Year ended March 31, 2008					
	Japan	North America	Other overseas counties	Total	General corporate assets and intercompany eliminations	Consolidated
			(Thousands of yen)			
Sales to outside parties	¥115,362,639	¥ 2,750,801	¥2,114,946	¥120,228,386	¥ –	¥120,228,386
Inter-segment sales and transfers	341,294	12,094,410	1,955,007	14,390,712	(14,390,712)	–
Total	115,703,933	14,845,211	4,069,953	134,619,098	(14,390,712)	120,228,386
Operating expenses	113,284,789	14,633,769	4,084,920	132,003,479	(13,963,521)	118,039,957
Operating income (loss)	¥ 2,419,144	¥ 211,442	¥ (14,967)	¥ 2,615,619	¥ (427,190)	¥ 2,188,428
Identifiable assets	¥ 34,149,783	¥ 7,763,279	¥1,045,836	¥ 42,958,899	¥ (1,383,955)	¥ 41,574,944

For the years ended March 31, 2010 and 2009, operating revenues from overseas operations represented less than 10% of consolidated operating revenues. As a result, operating revenues from overseas operations are not required to be disclosed.

19. Segment Information (continued)

Operating revenues from overseas operations of the Company and the consolidated subsidiaries for the year ended March 31, 2008 are summarized as follows:

	Year ended March 31, 2008			
	North America	Europe	Other	Total
	(Thousands of yen)			
Operating revenues from overseas operations	¥3,564,914	¥7,053,106	¥1,539,429	¥ 12,157,450
Consolidated operating revenues				¥120,228,386
Operating revenues from overseas operations as a percentage of consolidated operating revenues	3.0%	5.9%	1.2%	10.1%

20. Related Party Transactions

The Company had related party transactions with the companies controlled by Japan Airlines Corporation for which the Company is an affiliate and the companies over which the Company exercises significant influence in the terms of their operating and financial policies.

Effective April 1, 2008, the Company adopted the "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11, issued by ASBJ on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13, issued by ASBJ on October 17, 2006). Accordingly, the significant transactions between consolidated subsidiaries and related parties are required to be disclosed.

The significant transactions between the Company and Japan Airline International Co., Ltd., a subsidiary of Japan Airlines Corporation for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

With Japan Airlines International Co., Ltd.:

	Year ended March 31,			
	2010	**2009**	**2008**	**2010**
	(Thousands of yen)			*(Thousands of U.S. dollars)*
Sales of flight equipment	¥11,551,745	¥13,023,066	¥15,863,137	$124,212
Purchases of merchandise	7,780,376	7,075,975	8,288,247	83,660
Purchase of land for business	–	490,028	–	–

	March 31,		
	2010	**2009**	**2010**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Accounts receivable	¥1,661,261	¥1,945,443	$17,863
Advance payment	16,907	5,296	182
Accounts payable	335,260	356,202	3,605

20. Related Party Transactions (continued)

The significant transactions between certain consolidated subsidiaries of the Company and Japan Airlines International Co., Ltd. for the years ended March 31, 2010 and 2009 are summarized as follows:

With Japan Airlines International Co., Ltd.:

	Year ended March 31,		
	2010	**2009**	**2010**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sales of flight equipment and revenue from leases of aircraft	¥1,459,944	¥2,267,176	$15,698

	March 31,		
	2010	**2009**	**2010**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Accounts receivable	¥ 97,061	¥ 84,452	$1,044
Lease receivable	130,809	167,690	1,407

21. Subsequent Events

The Company entered into the loan commitment agreement with some correspondent financial institutions on April 20, 2010 after the expiry of the previous agreement, and borrowed ¥3,080,000 thousand ($33,118 thousand) on April 23, 2010. The details of the agreement are shown below.

Purpose of loan:	Working capital
Total commitment available:	¥4,000,000 thousand ($43,011 thousand)
Term of agreement:	From April 20, 2010 to April 19, 2011
Pledged assets as additional collateral:	Buildings and structures, net of accumulated depreciation as of March 31, 2010 ¥998,701 thousand ($10,739 thousand)

The company also pledged the above assets as additional collateral for the existing syndicate loan agreement.