

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, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of JALUX Inc. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended 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, 2011 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 17, 2011

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Assets			
Current assets:			
Cash and time deposits <i>(Notes 15 and 19)</i>	¥ 5,007,068	¥ 8,143,114	\$ 60,326
Notes and accounts receivable <i>(Notes 15 and 21)</i> :			
Trade	8,733,779	9,657,474	105,226
Affiliates	88,382	104,874	1,065
Other	960,936	2,359,289	11,578
Allowance for doubtful accounts	(110,266)	(60,958)	(1,329)
Short-term investments <i>(Notes 15 and 19)</i>	1,000,000	–	12,048
Inventories <i>(Note 4)</i>	5,213,580	6,345,498	62,814
Deferred income taxes <i>(Note 11)</i>	620,554	808,651	7,477
Other <i>(Note 21)</i>	844,512	1,053,907	10,175
Total current assets	<u>22,358,547</u>	<u>28,411,851</u>	<u>269,380</u>
Investments and advances:			
Unconsolidated subsidiaries and affiliates <i>(Note 15)</i>	1,843,573	1,863,101	22,212
Other <i>(Notes 15 and 16)</i>	205,415	405,197	2,475
Total investments and advances	<u>2,048,988</u>	<u>2,268,298</u>	<u>24,687</u>
Property and equipment <i>(Notes 5 and 10)</i> :			
Land	2,043,115	1,844,350	24,616
Buildings and structures	4,774,929	5,733,595	57,529
Machinery and vehicles	66,869	167,634	806
Flight equipment	2,020,172	2,925,448	24,339
Construction in process	4,093	1,153,521	49
Other	1,147,247	951,430	13,822
	<u>10,056,427</u>	<u>12,775,981</u>	<u>121,162</u>
Accumulated depreciation	<u>(3,719,386)</u>	<u>(4,687,475)</u>	<u>(44,812)</u>
Property and equipment, net	<u>6,337,041</u>	<u>8,088,506</u>	<u>76,350</u>
Intangible assets <i>(Note 10)</i> :			
Software	665,184	1,151,866	8,014
Other	33,820	212,176	407
Total intangible assets	<u>699,004</u>	<u>1,364,042</u>	<u>8,422</u>
Long-term loans	352,536	438,058	4,247
Deposits for business space <i>(Note 15)</i>	2,101,785	2,139,695	25,323
Deferred income taxes <i>(Note 11)</i>	612,910	641,099	7,384
Other assets, net	78,996	87,573	952
	<u>¥34,589,811</u>	<u>¥43,439,125</u>	<u>\$416,745</u>

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Liabilities and net assets			
Current liabilities:			
Short-term borrowings <i>(Notes 5 and 15)</i>	¥ 213,597	¥ 5,486,594	\$ 2,573
Current portion of long-term debt <i>(Notes 5 and 15)</i>	2,362,300	1,654,132	28,461
Notes and accounts payable <i>(Notes 15 and 21)</i> :			
Trade	8,380,161	9,391,921	100,966
Affiliates	134,124	285,573	1,616
Accrued expenses	1,844,389	2,092,777	22,222
Accrued income taxes <i>(Note 11)</i>	60,050	92,299	723
Provision for relocation expenses	–	123,523	–
Other	2,428,900	2,477,039	29,264
Total current liabilities	<u>15,423,526</u>	<u>21,603,861</u>	<u>185,826</u>
Long-term debt <i>(Notes 5 and 15)</i>	4,724,797	7,422,887	56,925
Accrued pension and severance costs <i>(Note 6)</i>	292,457	186,586	3,524
Directors' and statutory auditors' retirement benefits	28,275	92,231	341
Deferred income taxes <i>(Note 11)</i>	–	168,654	–
Other	145,311	141,386	1,751
Commitments and contingent liabilities <i>(Notes 5 and 13)</i>			
Net assets <i>(Note 7)</i> :			
Common stock, without par value:			
Authorized: 20,000,000 shares			
Issued: 12,775,000 shares in 2011 and 2010	2,558,550	2,558,550	30,826
Capital surplus	711,250	711,499	8,569
Retained earnings	10,482,317	9,991,571	126,293
Common stock in treasury: 61,638 shares in 2011 and 77,884 shares in 2010	(75,687)	(97,872)	(912)
Net unrealized loss on other securities, net of taxes <i>(Note 16)</i>	(21,994)	(1,389)	(265)
Net unrealized gain on hedging instruments, net of taxes <i>(Note 17)</i>	17,761	2,748	214
Translation adjustments	(823,396)	(556,762)	(9,920)
Subscription rights to shares <i>(Note 8)</i>	13,276	21,381	160
Minority interests	1,113,367	1,193,791	13,414
Total net assets	<u>13,975,444</u>	<u>13,823,518</u>	<u>168,379</u>
	<u>¥34,589,811</u>	<u>¥43,439,125</u>	<u>\$416,745</u>

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Operations

	Year ended March 31,			
	2011	2010	2009	2011
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Operating revenues <i>(Notes 20 and 21)</i>	¥95,541,254	¥105,561,308	¥113,225,704	\$1,151,099
Operating expenses <i>(Notes 20 and 21)</i> :				
Cost of sales	74,970,532	83,809,256	90,721,969	903,259
Selling, general and administrative expenses <i>(Note 8)</i>	19,024,276	22,047,044	21,902,105	229,208
	<u>93,994,808</u>	<u>105,856,300</u>	<u>112,624,075</u>	<u>1,132,468</u>
Operating income (loss)	<u>1,546,445</u>	<u>(294,992)</u>	<u>601,628</u>	<u>18,632</u>
Non-operating income (expenses):				
Interest income	14,794	16,321	18,388	178
Interest expense	(171,985)	(173,882)	(143,612)	(2,072)
Equity in earnings of affiliates	71,378	9,310	88,808	860
Other, net <i>(Note 9)</i>	(407,144)	(1,347,690)	390,887	(4,905)
	<u>(492,957)</u>	<u>(1,495,940)</u>	<u>354,471</u>	<u>(5,939)</u>
Income (loss) before income taxes and minority interests	<u>1,053,487</u>	<u>(1,790,933)</u>	<u>956,099</u>	<u>12,693</u>
Income taxes <i>(Note 11)</i> :				
Current	108,004	182,726	480,465	1,301
Deferred	468,828	(714,329)	(6,730)	5,649
	<u>576,833</u>	<u>(531,602)</u>	<u>473,735</u>	<u>6,950</u>
Net income (loss) before minority interests	<u>476,654</u>	<u>(1,259,330)</u>	<u>482,364</u>	<u>5,743</u>
Minority loss (interests)	<u>16,043</u>	<u>(3,736)</u>	<u>(90,073)</u>	<u>193</u>
Net income (loss)	<u>¥ 492,697</u>	<u>¥ (1,263,067)</u>	<u>¥ 392,290</u>	<u>\$ 5,936</u>

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

	March 31,	
	2011	2011
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Income before minority interests	¥ 476,654	\$ 5,743
Other comprehensive income:		
Net unrealized loss on other securities, net of taxes	(29,502)	(355)
Net unrealized gain on hedging instruments, net of taxes	15,012	181
Translation adjustments	(259,484)	(3,126)
Share of other comprehensive income of companies accounted for by the equity method	(2,009)	(24)
Total other comprehensive income <i>(Note 12)</i>	(275,984)	(3,325)
Comprehensive income	¥ 200,670	\$ 2,418
Comprehensive income attributable to:		
Stockholders of JALUX Inc.	¥ 220,471	\$ 2,656
Minority interests	¥ (19,801)	\$ (239)

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
	<i>(Thousands of yen)</i>										
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
Net income for the year ended March 31, 2011				492,697							492,697
Purchases of common stock in treasury					(32)						(32)
Disposal of common stock in treasury											20,016
Other						(20,605)	15,012	(266,633)	(8,104)	(80,423)	(360,755)
Balance at March 31, 2011	12,775,000	¥2,558,550	¥711,250	¥10,482,317	¥(75,687)	¥(21,994)	¥ 17,761	¥(823,396)	¥13,276	¥1,113,367	¥13,975,444

	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
	<i>(Thousands of U.S. dollars) (Note 3)</i>										
Balance at March 31, 2010	12,775,000	\$30,826	\$8,572	\$120,380	\$(1,179)	\$ (17)	\$ 33	\$(6,708)	\$258	\$14,383	\$166,548
Net income for the year ended March 31, 2011				5,936							5,936
Purchases of common stock in treasury					(0)						(0)
Disposal of common stock in treasury											241
Other			(3)	(24)	268	(248)	181	(3,212)	(98)	(969)	(4,346)
Balance at March 31, 2011	12,775,000	\$30,826	\$8,569	\$126,293	\$ (912)	\$(265)	\$214	\$(9,920)	\$160	\$13,414	\$168,379

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,			
	2011	2010	2009	2011
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Operating activities				
Income (loss) before income taxes and minority interests	¥ 1,053,487	¥(1,790,933)	¥ 956,099	\$ 12,693
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	1,059,910	1,143,430	1,095,961	12,770
Increase (decrease) in provision for allowance for doubtful accounts	16,524	(121,498)	75,299	199
Increase in net provision for accrued pension and severance costs	105,870	108,631	3,542	1,276
Decrease in prepaid pension expenses	-	94,368	152,567	-
Interest and dividend income	(22,288)	(24,218)	(64,619)	(269)
Interest expense	171,985	173,882	143,612	2,072
Exchange loss (gain), net	1,941	(3,881)	41,530	23
Equity in earnings of affiliates	(71,378)	(9,310)	(88,808)	(860)
Loss (gain) on sales of, and loss on disposal of property and equipment	93,415	(2,346)	51,922	1,125
Impairment losses on fixed assets	306,161	368,573	17,905	3,689
(Gain) loss on sales of investments in securities	(195,444)	55,056	26,704	(2,355)
Loss on revaluation of investments in affiliates	-	-	69,094	-
Loss on revaluation of investments in securities	89,289	8,513	190,061	1,076
Decrease (increase) in notes and accounts receivable	1,971,747	2,018,482	(748,177)	23,756
Decrease (increase) in inventories	1,008,950	368,269	(537,145)	12,156
(Decrease) increase in notes and accounts payable	(1,049,229)	(3,678,171)	329,200	(12,641)
Decrease (increase) in advance payment	8,289	(18,000)	197,209	100
Increase (decrease) in advance received	18,180	441,747	172,317	219
(Increase) decrease in bad debts on receivables	(7,127)	64,983	(70,138)	(86)
Other, net	707,187	601,106	357,418	8,520
Subtotal	5,267,472	(201,314)	2,371,558	63,464
Interest and dividends received	82,042	59,322	81,985	988
Interest paid	(180,217)	(159,159)	(153,922)	(2,171)
Income taxes paid	(214,402)	(195,685)	(899,433)	(2,583)
Income taxes refund	-	130,557	-	-
Payment for special termination benefits	(8,192)	(804,511)	-	(99)
Net cash provided by (used in) operating activities	4,946,702	(1,170,791)	1,400,187	59,599
Investing activities				
Purchases of property and equipment	(1,137,284)	(1,504,896)	(2,159,132)	(13,702)
Proceeds from sales of property and equipment	1,046,605	87,364	3,116	12,610
Purchases of investment in unconsolidated subsidiaries and affiliates	-	-	(14,907)	-
Purchases of intangible assets	(94,694)	(408,080)	(287,080)	(1,141)
Purchases of investments in securities	(244)	(77,048)	(264,658)	(3)
Proceeds from sales of investments in securities	355,961	202,541	2,185	4,289
Payments for purchase of investments in affiliate resulting in change in scope of consolidation	-	-	(160,301)	-
Long-term loans receivable made	(17,031)	(166,924)	(463)	(205)
Collection of long-term loans	93,008	68,127	59,392	1,121
Purchases of time deposits	(5,662)	(979)	(1,366)	(68)
Proceeds from maturity of time deposits	-	59,014	-	-
Increase in deposits for business space	(194,601)	(23,386)	(295,377)	(2,345)
Decrease in deposits for business space	261,714	71,592	76,345	3,153
Decrease in deposits with restrictions	-	-	20,593	-
Other, net	(7,729)	75,499	(22,691)	(93)
Net cash provided by (used in) investing activities	300,042	(1,617,173)	(3,044,344)	3,615
Financing activities				
(Decrease) increase in short-term borrowings, net	(5,167,910)	3,349,104	(449,978)	(62,264)
Proceeds from long-term loans	11,324	3,661,590	4,000,000	136
Repayment of long-term loans	(2,096,411)	(1,654,567)	(1,262,741)	(25,258)
Dividends paid to stockholders	(1,339)	(446,527)	(449,824)	(16)
Dividends paid to minority interests	(60,000)	(40,339)	(120,000)	(723)
Other, net	(20,103)	(44,964)	(4,492)	(242)
Net cash (used in) provided by financing activities	(7,334,440)	4,824,294	1,712,962	(88,367)
Effect of exchange rate changes on cash and cash equivalents	(52,380)	12,014	(152,586)	(631)
Net (decrease) increase in cash and cash equivalents	(2,140,076)	2,048,343	(83,780)	(25,784)
Cash and cash equivalents at beginning of the year	8,139,392	6,091,048	6,174,828	98,065
Cash and cash equivalents at end of the year <i>(Note 19)</i>	¥ 5,999,315	¥ 8,139,392	¥ 6,091,048	\$ 72,281

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

March 31, 2011

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.

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.

1. Summary of Significant Accounting Policies (continued)

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 Asset Retirement Obligations

Effective April 1, 2010, the Company and its consolidated subsidiaries have adopted the “Accounting Standard for Asset Retirement Obligations” (Accounting Standard Board of Japan (ASBJ) Statement No. 18 issued on March 31, 2008) and the “Implementation Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued on March 31, 2008). The impact on operating income and income before income taxes and minority interests for the year ended March 31, 2011 was immaterial.

Accounting Standard for Presentation of Comprehensive Income

Effective the year ended March 31, 2011, the Company adopted the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25 issued on June 30, 2010). In accordance with this new standard, consolidated statement of comprehensive income for the year ended March 31, 2010 and 2009 are not presented.

Accounting Standard for Retirement Benefits

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19 issued on July 31, 2008). This change had 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 the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 issued on July 5, 2006).

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥83.00 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2011, 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, 2011 and 2010 were as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Merchandise and finished products	¥4,930,999	¥6,019,685	\$59,410
Real estate held for sale	175,891	217,067	2,119
Raw materials and supplies	106,688	108,746	1,285
	<u>¥5,213,580</u>	<u>¥6,345,498</u>	<u>\$62,814</u>

The real estates held for sale of ¥1,373,549 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 ¥87,824 thousand (\$1,058 thousand) and ¥267,287 thousand for the years ended March 31, 2011 and 2010.

5. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt at March 31, 2011 and 2010 consisted of the following:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Short-term Borrowings:			
Short-term Borrowings with collateral, at rates 1.16%	¥ —	¥ 4,500,000	\$ —
Short-term Borrowings without collateral, at rates ranging from 1.09% to 5.10%	213,597	986,594	2,573
	<u>¥ 213,597</u>	<u>¥ 5,486,594</u>	<u>\$ 2,573</u>
Long-term debt:			
Loans with collateral, due 2010 to 2015, at rates ranging from 1.65% to 7.03%	¥ 3,500,000	¥ 4,268,346	\$ 42,169
Loans without collateral, due 2010 to 2015, at rates ranging from 1.28% to 4.32%	2,846,601	4,230,811	34,296
Other	740,497	577,861	8,922
	<u>7,087,098</u>	<u>9,077,019</u>	<u>85,387</u>
Less current portion of long-term debt	<u>(2,362,300)</u>	<u>(1,654,132)</u>	<u>(28,461)</u>
	<u>¥ 4,724,797</u>	<u>¥ 7,422,887</u>	<u>\$ 56,925</u>

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

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2012	¥2,362,300	\$28,461
2013	3,111,909	37,493
2014	1,027,462	12,379
2015	42,758	515
2016 and thereafter	542,667	6,538
	¥7,087,098	\$85,387

Assets pledged as collateral at March 31, 2011 and 2010 are summarized as follows:

	March 31,		2011
	2011	2010	
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Land	¥1,867,771	¥1,803,987	\$22,503
Buildings and structures, net of accumulated depreciation	2,113,221	1,714,991	25,460
Flight equipment, net of accumulated depreciation	–	661,476	–
Construction in process	–	872,468	–
	¥3,980,993	¥5,052,924	\$47,964

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, 2011 and 2010 were as follows:

	March 31,		2011
	2011	2010	
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Total commitment available	¥4,000,000	¥ 4,500,000	\$48,193
Less amount utilized	–	(4,500,000)	–
Balance available	¥4,000,000	¥ –	\$48,193

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,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Projected benefit obligation	¥(2,820,147)	¥(3,368,264)	\$(33,978)
Plan assets	2,069,264	2,544,721	24,931
Accrued pension and severance costs	292,457	186,586	3,524
Net unrecognized amount	<u>¥ (458,426)</u>	<u>¥ (636,956)</u>	<u>\$ (5,523)</u>

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

The net unrecognized amount was as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Actuarial assumption adjustment	¥(337,739)	¥(455,926)	\$(4,069)
Post service cost	(120,686)	(181,030)	(1,454)
Net unrecognized amount	<u>¥(458,426)</u>	<u>¥(636,956)</u>	<u>\$(5,523)</u>

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

	Year ended March 31,			
	2011	2010	2009	2011
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Service cost	¥150,177	¥166,773	¥166,527	\$1,809
Interest cost on projected benefit obligation	45,379	56,828	56,391	547
Expected return on plan assets	(44,776)	(60,795)	(65,485)	(539)
Amortization of actuarial assumption adjustment	126,723	130,994	102,245	1,527
Amortization of past service cost	60,343	60,343	60,343	727
Net periodic pension and severance costs	<u>¥337,846</u>	<u>¥354,143</u>	<u>¥320,022</u>	<u>\$4,070</u>

6. Accrued Pension and Severance Costs (continued)

In addition to the net periodic pension and severance costs referred to above, special termination benefits of ¥804,511 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:

	<u>2011</u>	<u>2010</u>
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.

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, 2011 and 2010 were as follows:

	<u>Year ended March 31, 2011</u>			
	<u>At March 31, 2010</u>	<u>Increase</u>	<u>Decrease</u>	
		<i>(Thousands of shares)</i>		
Number of shares of stock in issue:				
Common stock	12,775	–	–	12,775
Number of shares of common stock in treasury:				
Common stock	77	0	16	61

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

The decrease in common stock in treasury of 16 thousand shares resulted from exercise of subscription rights as stock options.

7. Net Assets (continued)

	Year ended March 31, 2010			At March 31, 2010
	At March 31, 2009	Increase	Decrease	
	<i>(Thousands of shares)</i>			
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 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, 2009
	At March 31, 2008	Increase	Decrease	
	<i>(Thousands of shares)</i>			
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 resulted from the Company's purchase of 0 thousand odd-lot shares of less than one unit at the request of the stockholders.

Dividends

Resolution	Type of shares	Cash dividends paid		Dividends per share <i>(Yen)</i>	Cut off date	Effective date
		<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>			
General meeting of stockholders held on June 17, 2011	Common stock	¥63,620	\$767	¥5.0	March 31, 2011	June 20, 2011

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, 2011 are as follows:

	<u>2010 Stock Option Plan</u>	<u>2009 Stock Option Plan</u>
Individuals covered by the plan	4 directors of the Company	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	15,000 shares of common stock	23,600 shares of common stock
Granted date	September 24, 2010	October 29, 2009
Vesting conditions	No provisions	No provisions
Vesting period	No provisions	No provisions
Exercise period	September 25, 2010 – September 24, 2040	October 30, 2009 – October 29, 2039

The changes in the size of stock options for the year ended March 31, 2011 are as follows:

	<u>2010 Stock Option Plan</u>	<u>2009 Stock Option Plan</u>
Share subscription rights which are not yet vested (<i>Number of shares</i>)		
Outstanding as of March 31, 2010	–	–
Granted	15,000	–
Forfeited	–	–
Vested	(15,000)	–
Outstanding as of March 31, 2011	–	–
Share subscription rights which have already been vested (<i>Number of shares</i>)		
Outstanding as of March 31, 2010	–	23,600
Vested	15,000	–
Exercised	–	(16,300)
Forfeited	–	(2,400)
Outstanding as of March 31, 2011	15,000	4,900
Exercise price (<i>yen</i>)	¥ 1	¥ 1
Weighted average fair value per stock at the exercising date (<i>yen</i>)	–	661
Fair value per stock option at the granted date (<i>yen</i>)	654	1,208
Exercise price (<i>U.S. dollars</i>)	\$ 0.01	\$ 0.01
Weighted average fair value per stock at the exercising date (<i>U.S. dollars</i>)	–	7.96
Fair value per stock option at the granted date (<i>U.S. dollars</i>)	7.88	14.55

8. Stock Options (continued)

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

	<u>2009 Stock Option Plan</u>
Share subscription rights which are not yet vested (<i>Number of shares</i>)	
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 (<i>Number of shares</i>)	
Outstanding as of March 31, 2009	–
Vested	23,600
Exercised	–
Forfeited	–
Outstanding as of March 31, 2010	23,600

Stock option expense included in “Selling, general and administrative expenses” for the year ended March 31, 2011 and 2010 amounted to ¥11,766 thousand (\$142 thousand) and ¥21,381 thousand, respectively. The fair value of options granted is estimated by using the Black-Scholes model with the following assumptions.

	<u>2010 Stock Option Plan</u>	<u>2009 Stock Option Plan</u>
Expected volatility	40.625%	28.968%
Expected holding period	2.5 years	2.5 years
Expected dividend	–	¥35 per share
Risk-free rate	0.1455%	0.3412%

The expected volatility of the share price is estimated based on the market fair value for 2.5 years before grant.

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.

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, 2011, 2010 and 2009 were as follows:

	Year ended March 31,			
	2011	2010	2009	2011
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Dividends received	¥ 7,494	¥ 7,897	¥ 46,230	\$ 90
Exchange gain, net	149,367	99,547	544,250	1,800
Brokerage commission received	50,004	47,661	53,194	602
Gain on sales of property and equipment	10,778	44,575	2,906	130
Gain on sales of investments in securities	195,444	70,966	–	2,355
Gain on reversal of allowance for doubtful accounts	8,786	8,356	–	106
Commission paid	(34,533)	(50,839)	(24,339)	(416)
Nondeductible consumption tax	(117,218)	(65,400)	–	(1,412)
Loss on sales and disposal of property and equipment	(104,193)	(42,229)	(54,828)	(1,255)
Impairment losses on fixed assets	(306,161)	(368,573)	(17,905)	(3,689)
Loss on sales of investments in securities	–	(126,023)	(26,704)	–
Loss on revaluation of investments in securities	(89,289)	(8,513)	(190,061)	(1,076)
Loss on revaluation of investments in non-consolidated subsidiaries and affiliates	–	–	(69,094)	–
Special termination benefits	(8,192)	(804,511)	–	(99)
Amortization of goodwill	(161,937)	–	–	(1,951)
Other, net	(7,493)	(160,604)	127,239	(90)
	<u>¥(407,144)</u>	<u>¥(1,347,690)</u>	<u>¥ 390,887</u>	<u>\$ (4,905)</u>

10. Impairment of Fixed Assets

For the year ended March 31, 2011, the Company and a consolidated subsidiary recognized impairment losses on fixed assets of ¥306,161 thousand (\$3,689 thousand), and for the years ended March 31, 2010 and 2009 the Company recognized impairment losses on fixed asset of ¥368,573 thousand and ¥17,095 thousand which consisted of the following:

Location	Use	Classification	Year ended March 31,			
			2011	2010	2009	2011
			<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Omura-shi, Nagasaki and other 5 shops	Airport shops	Buildings, furniture, software and other	¥ 23,251	–	–	\$ 280
Shinagawa-ku, Tokyo	Business assets	Buildings, furniture, software and other	¥ 93,917	–	–	\$1,132
Narita-shi, Chiba	Rental properties	Buildings and Land	¥169,913	–	–	\$2,047
California, America	Business assets	Buildings and software	¥ 19,079	–	–	\$ 230
Tokoname-shi, Aichi and other 3 shops	Airport shops	Buildings, furniture and other	–	¥ 23,211	–	–
Shinagawa-ku, Tokyo	Head office assets	Buildings, furniture, software and other	–	¥244,756	–	–
Shinagawa-ku, Tokyo and other	Business assets	Buildings, furniture, software and other	–	¥ 3,951	–	–
Ito-shi, Shizuoka	Idle assets	Land	–	¥ 12,327	–	–
California, America	Business assets	Flight equipment	–	¥ 84,327	–	–
Ikeda-shi, Osaka and other 5 shops	Airport shops	Buildings, furniture and other	–	–	¥17,905	–

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 for the years ended March 31, 2011, 2010 and 2009. Impairment losses on rental properties were recognized due to decrease in market value for the year ended March 31, 2011. 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 and impairment losses on idle assets were recognized due to significant decrease in fair value for the year ended March 31, 2010.

The recoverable amount of each group of assets was measured by their usage value and future cash flows at discount rates of 3.1%, from 2.7% to 5.0% and 3.7% for the years ended March 31, 2011, 2010 and 2009, respectively.

11. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥ 203,186	¥ 181,252	\$ 2,448
Allowance for doubtful accounts	47,126	39,428	568
Elimination of unrecognized gain on intercompany accounts and transactions	69,309	71,664	835
Directors' and statutory auditors' retirement benefits	11,474	37,482	138
Accrued pension and severance costs	119,276	76,230	1,437
Impairment losses on fixed assets	563,419	199,624	6,788
Loss on revaluation of inventories	42,880	82,743	517
Loss on revaluation of investments in securities	48,503	12,171	584
Loss on revaluation of other investments	3,365	6,173	41
Tax loss carryforwards	254,617	612,580	3,068
Other	334,963	362,778	4,036
	<u>1,698,124</u>	<u>1,682,128</u>	<u>20,459</u>
Valuation allowance	(164,454)	(99,464)	(1,981)
Total deferred tax assets	<u>1,533,669</u>	<u>1,582,663</u>	<u>18,478</u>
Deferred tax liabilities:			
Accumulated retained earnings of consolidated subsidiaries	(80,980)	(74,832)	(976)
Depreciation	(138,328)	(198,552)	(1,667)
Other	(80,894)	(28,183)	(975)
Total deferred tax liabilities	<u>(300,204)</u>	<u>(301,568)</u>	<u>(3,617)</u>
Net deferred tax assets	<u>¥1,233,464</u>	<u>¥1,281,095</u>	<u>\$14,861</u>

Reconciliations between the statutory tax rate and the effective tax rates for the years ended March 31, 2011 and 2009 were presented as follows:

	Year ended March 31,	
	2011	2009
Statutory tax rate	40.69%	40.69%
Disallowed expenses, including entertainment expenses	3.41	12.10
Non-taxable income, including dividends received	(1.04)	-
Inhabitants' per capita taxes	1.50	1.74
Changes in valuation allowance	6.05	-
Equity in earnings of affiliates	(2.76)	(3.78)
Amortization of goodwill	7.06	-
Other	(0.16)	0.21
Effective tax rate	<u>54.75%</u>	<u>50.96%</u>

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.

12. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2010.

	2010
	<i>(Thousands of yen)</i>
Net unrealized gain on other securities, net of taxes	¥ 17,480
Net unrealized gain on hedging instruments, net of taxes	1,800
Translation adjustments	25,340
Share of other comprehensive income of companies accounted for by the equity method	5,652
Total other comprehensive income	<u>¥ 50,273</u>
Total comprehensive income attributable to:	
Stockholders of JALUX Inc.	¥(1,213,147)
Minority interests	¥ 4,089

13. 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, 2011 and 2010, and the related depreciation and interest expense for the years ended March 31, 2011, 2010 and 2009, respectively, which would have been reflected in the consolidated balance sheets and the related consolidated statements of income:

	March 31, 2011		
	Property and equipment – other	Software	Total
	<i>(Thousands of yen)</i>		
Acquisition costs	¥39,391	¥2,223	¥41,614
Less accumulated depreciation	35,569	2,052	37,622
Net book value	<u>¥ 3,821</u>	<u>¥ 170</u>	<u>¥ 3,992</u>
	March 31, 2011		
	Property and equipment – other	Software	Total
	<i>(Thousands of U.S. dollars)</i>		
Acquisition costs	\$475	\$27	\$501
Less accumulated depreciation	429	25	453
Net book value	<u>\$ 46</u>	<u>\$ 2</u>	<u>\$ 48</u>

13. Leases (continued)

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

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

	Year ended March 31,			
	2011	2010	2009	2011
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Depreciation expense	<u>¥11,499</u>	<u>¥23,791</u>	<u>¥25,990</u>	<u>\$139</u>
Interest expense	<u>¥ 273</u>	<u>¥ 722</u>	<u>¥ 1,237</u>	<u>\$ 3</u>

No impairment loss had been recognized on leased property for the years ended March 31, 2011, 2010 and 2009.

Lease expenses relating to the financing leases accounted for as operating leases amounted to ¥13,594 thousand (\$164 thousand), ¥25,886 thousand and ¥27,375 thousand for the years ended March 31, 2011, 2010 and 2009, respectively.

Future rental expenses under financing leases accounted for as operating leases outstanding at March 31, 2011 and 2010 are summarized as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within 1 year	¥4,746	¥14,033	\$57
Over 1 year	224	5,025	3
	<u>¥4,971</u>	<u>¥19,059</u>	<u>\$60</u>

13. Leases (continued)

As lessee under operating leases

Future rental expenses under operating leases outstanding at March 31, 2011 and 2010 are summarized as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within 1 year	¥ 86,964	¥115,195	\$1,048
Over 1 year	179,126	215,352	2,158
	<u>¥266,091</u>	<u>¥330,548</u>	<u>\$3,206</u>

As lessor under financing leases

The annual collections of lease receivables subsequent to March 31, 2011 are summarized as follows:

<u>Year ending March 31,</u>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2012	¥10,564	\$127
2013	10,816	130
2014	6,353	77
2015	4,443	54

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

<u>Year ending March 31,</u>	<i>(Thousands of yen)</i>
2011	¥34,265
2012	25,681
2013	24,096
2014	19,869
2015	16,364
2016 and thereafter	10,532

13. Leases (continued)

As lessor under operating leases

Future rental revenues under operating leases outstanding at March 31, 2011 and 2010 are summarized as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within 1 year	¥ 264,554	¥ 773,329	\$ 3,187
Over 1 year	2,581,846	3,605,082	31,107
	<u>¥2,846,401</u>	<u>¥4,378,412</u>	<u>\$34,294</u>

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, 2011 and 2010 are summarized as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within 1 year	¥1,655,421	¥1,765,105	\$19,945
Over 1 year	5,180,451	5,348,267	62,415
	<u>¥6,835,873</u>	<u>¥7,113,373</u>	<u>\$82,360</u>

Future rental expenses as lessee under the original lease agreements outstanding at March 31, 2011 and 2010 are summarized as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within 1 year	¥1,609,547	¥1,695,023	\$19,392
Over 1 year	6,683,043	7,750,923	80,519
	<u>¥8,292,591</u>	<u>¥9,445,946</u>	<u>\$99,911</u>

14. 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 subscription rights as stock options.

	Year ended March 31,			
	2011	2010	2009	2011
	<i>(Yen)</i>			<i>(U.S. dollars)</i>
Net income (loss) per share of common stock:				
Basic	¥38.76	¥(99.28)	¥30.74	\$0.467
Diluted	¥38.72	¥ –	¥ –	\$0.467

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.

The following table sets forth the basis of the computation of net income (loss) per share and diluted net income per share of common stock for the years ended March 31, 2011, 2010 and 2009:

	Year ended March 31,			
	2011	2010	2009	2011
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Net income (loss)	¥492,697	¥(1,263,067)	¥392,290	\$5,936
Net income (loss) available to stockholders of shares of common stock	¥492,697	¥(1,263,067)	¥392,290	\$5,936

	Year ended March 31,		
	2011	2010	2009
	<i>(Thousands of shares)</i>		
Weighted-average number of shares of common stock outstanding	12,710	12,722	12,759
Effect of dilutive securities:			
Subscription rights to shares	15	–	–

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

	March 31,		
	2011	2010	2011
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net assets per share	¥1,010.65	¥993.01	\$12.177

15. 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 certificate of deposit and 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.

15. 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.

15. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments and estimated fair value on the consolidated balance sheet as of March 31, 2011 and 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.

	March 31, 2011		
	Carrying value	Estimated fair value	Difference
<i>(Thousands of yen)</i>			
Assets			
Cash and time deposits	¥ 5,007,068	¥ 5,007,068	¥ –
Trade notes and accounts receivable	8,822,161	8,822,161	–
Investment securities	1,104,270	1,104,270	–
Total assets	¥14,933,501	¥14,933,501	¥ –
Liabilities			
Trade notes and accounts payable	¥ 8,514,286	¥ 8,514,286	¥ –
Short-term borrowings	213,597	213,597	–
Accrued expenses	1,844,389	1,844,389	–
Long-term debt (*1)	6,346,601	6,282,397	(64,204)
Total liabilities	¥16,918,875	¥16,854,670	¥(64,204)
Derivatives (*2)	¥ 29,947	¥ 29,947	¥ –
March 31, 2011			
	Carrying value	Estimated fair value	Difference
<i>(Thousands of U.S. dollars)</i>			
Assets			
Cash and time deposits	\$ 60,326	\$ 60,326	\$ –
Trade notes and accounts receivable	106,291	106,291	–
Investment securities	13,304	13,304	–
Total assets	\$179,922	\$179,922	\$ –
Liabilities			
Trade notes and accounts payable	\$102,582	\$102,582	\$ –
Short-term borrowings	2,573	2,573	–
Accrued expenses	22,222	22,222	–
Long-term debt (*1)	76,465	75,692	(774)
Total liabilities	\$203,842	\$203,068	\$(774)
Derivatives (*2)	\$ 361	\$ 361	\$ –

15. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	March 31, 2010		
	Carrying value	Estimated fair value	Difference
<i>(Thousands of yen)</i>			
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	¥ –

*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.

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.

Since the certificate of deposit is settled in a short period of time, the carrying value approximates fair value.

- c. Trade notes and accounts payable, short-term borrowings and accrued expenses

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

15. Financial Instruments (continued)

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

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,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unlisted stocks	¥1,939,718	¥2,022,832	\$23,370
Deposits for business space	2,101,785	2,139,695	25,323

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.

Redemption schedule for receivables and marketable securities with maturities

	March 31, 2011			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Thousands of yen)</i>			
Cash and time deposits	¥ 4,969,551	¥–	¥–	¥ –
Trade notes and accounts receivable	8,822,161	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	100,000
Other	1,000,000	–	–	–
Total	¥14,791,712	¥–	¥–	¥100,000

15. Financial Instruments (continued)

Redemption schedule for receivables and marketable securities with maturities (continued)

March 31, 2011				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<i>(Thousands of U.S. dollars)</i>				
Cash and time deposits	\$ 59,874	\$-	\$-	\$ -
Trade notes and accounts receivable	106,291	-	-	-
Investment securities with maturities:				
Bonds	-	-	-	1,205
Other	12,048	-	-	-
Total	\$178,213	\$-	\$-	\$1,205

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
<i>(Thousands of yen)</i>				
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

16. Securities

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2011 and 2010 are summarized as follows:

	March 31, 2011		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	<i>(Thousands of yen)</i>		
Unrealized loss:			
Stocks	¥ 12,117	¥ 21,862	¥ (9,745)
Bonds:			
Other	77,710	100,000	(22,290)
Other	1,014,442	1,020,000	(5,557)
Total	<u>¥1,104,270</u>	<u>¥1,141,862</u>	<u>¥(37,592)</u>

	March 31, 2011		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Unrealized loss:			
Stocks	\$ 146	\$ 263	\$(117)
Bonds:			
Other	936	1,204	(269)
Other	12,222	12,289	(67)
Total	<u>\$13,304</u>	<u>\$13,757</u>	<u>\$(453)</u>

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

Non-marketable securities classified as other securities at March 31, 2011 and 2010 amounted to ¥96,144 thousand (\$1,158 thousand) and ¥159,731 thousand, respectively.

16. Securities (continued)

Proceeds from sales of securities classified as other securities and the aggregate gain and loss for the year ended March 31, 2011 and 2010 were as follows.

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Sales proceeds:			
Stocks	¥250,800	¥135,763	\$3,022
Other	–	2,367	–
	<u>¥250,800</u>	<u>¥138,131</u>	<u>\$3,022</u>
Aggregate gain:			
Stocks	¥159,141	¥ 22,616	\$1,917
Other	–	12	–
	<u>¥159,141</u>	<u>¥ 22,628</u>	<u>\$1,917</u>
Aggregate loss:			
Stocks	¥ –	¥ 27,785	\$ –
Other	–	374	–
	<u>¥ –</u>	<u>¥ 28,160</u>	<u>\$ –</u>

17. 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, 2011 and 2010, for which deferral hedged accounting has been applied, are summarized as follows:

Maturing within one year	March 31, 2011	
	Notional amount	Fair value
	<i>(Thousands of yen)</i>	
Sell:		
USD	¥ 90,648	¥ (551)
Buy:		
USD	1,337,963	13,189
EUR	70,756	2,940
Others	374,377	14,367
Total	<u>¥1,873,744</u>	<u>¥29,947</u>

Maturing within one year	March 31, 2011	
	Notional amount	Fair value
	<i>(Thousands of U.S. dollars)</i>	
Sell:		
USD	\$ 1,092	\$ (7)
Buy:		
USD	16,120	159
EUR	852	35
Others	4,511	173
Total	<u>\$22,575</u>	<u>\$361</u>

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

17. Derivative Transactions (continued)

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, 2011 and 2010, are summarized as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Sell:			
USD	¥ 4,242	¥ 275,885	\$ 51
Buy:			
USD	1,264,898	963,863	15,240
EUR	21,342	10,231	257
Others	4,222	13,121	51
Total	<u>¥1,294,704</u>	<u>¥1,263,100</u>	<u>\$15,599</u>

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, 2011 and 2010, are summarized as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maturing within one year	¥200,000	¥200,000	\$2,410
Maturing after one year	220,000	420,000	2,651
Total	<u>¥420,000</u>	<u>¥620,000</u>	<u>\$5,060</u>

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

18. 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 for the year ended March 31, 2011 are as follows:

Carrying Value			Fair Value
March 31, 2011	Net change	March 31, 2010	March 31, 2011
<i>(Thousands of yen)</i>			
¥3,989,638	¥(1,781,790)	¥5,771,428	¥3,381,295

Carrying Value			Fair Value
March 31, 2011	Net change	March 31, 2010	March 31, 2011
<i>(Thousands of U.S. dollars)</i>			
\$48,068	\$(21,467)	\$69,535	\$40,738

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. However, if no material change has occurred in certain values or indices, the fair values are determined by adjusting such appraised values and indices.

The components of net change in carrying value include increases mainly due to acquisitions in the amount of ¥531,302 thousand (\$6,401 thousand) and decreases mainly due to sales in the amount of ¥1,007,611 thousand (\$12,140 thousand).

The carrying value in the consolidated balance sheet and corresponding fair value of those properties for the year ended March 31, 2010 were as follows:

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

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 and transfers from real estate held for sale in the amount of ¥1,373,549 thousand, and decreases mainly due to depreciation in the amount of ¥58,342 thousand.

19. Cash Flow Information

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

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥5,007,068	¥8,143,114	\$60,326
Short-term investments	1,000,000	–	12,048
Time deposits with maturities of more than three months	(7,753)	(3,721)	(93)
	<u>¥5,999,315</u>	<u>¥8,139,392</u>	<u>\$72,281</u>

20. Segment Information

Effective the fiscal year ended March 31, 2011, the Company has adopted new accounting standards for disclosures about segments of an enterprise and related information. Segment information for the year ended March 31, 2010 has been restated in accordance with such accounting standards for comparative purpose. The segment information for the year ended March 31, 2009 has not been restated as it was impracticable.

The reportable segments of the Company and its consolidated subsidiaries are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

Aviation-related business segment includes aircraft components and aviation-related business. Media & life service business segment includes printing, insurance and real estate business. Retail business segment includes cabin service supply, mail-order sales, airport shops and gift item business. Food & beverage business segment includes agriculture & marine products, processed foods and wine sales business.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 1. Segment performance is evaluated based on operating income or loss. Intersegment sales are recorded at the same price used in transactions with third parties.

20. Segment Information (continued)

The reportable segments information of the Company and its consolidated subsidiaries for the years ended March 31, 2011 and 2010 are summarized as follows:

	Year ended March 31, 2011						
	Reportable segments					Adjustments and eliminations	Consolidated
	Aviation-related business	Media & life service business	Retail business	Food & beverage business	Total		
	<i>(Thousands of yen)</i>						
Sales, profits (losses) and assets by reportable segments:							
Sales to outside parties	¥19,537,229	¥12,571,128	¥45,681,118	¥17,751,776	¥95,541,254	¥ –	¥95,541,254
Inter-segment sales and transfers	8,140	101,117	32,081	138,591	279,931	(279,931)	–
Total	19,545,370	12,672,245	45,713,200	17,890,368	95,821,185	(279,931)	95,541,254
Segment profits	¥ 948,233	¥ 1,381,434	¥ 445,997	¥ 928,239	¥ 3,703,905	¥(2,157,460)	¥ 1,546,445
Segment assets	¥ 6,723,622	¥ 7,321,205	¥10,633,600	¥ 5,162,876	¥29,841,304	¥ 4,748,507	¥34,589,811
Other items:							
Depreciation and amortization	¥ 295,709	¥ 86,778	¥ 399,630	¥ 6,392	¥ 788,511	¥ 271,398	¥ 1,059,910
Amortization of goodwill	¥ –	¥ –	¥ 20,894	¥ –	¥ 20,894	¥ –	¥ 20,894
Investment in affiliates accounted for by the equity method	¥ 516,978	¥ 279,237	¥ –	¥ –	¥ 796,216	¥ 1,002,687	¥ 1,798,903
Capital expenditures	¥ 124,947	¥ 588,800	¥ 262,509	¥ 3,480	¥ 979,738	¥ 118,322	¥ 1,098,060
	Year ended March 31, 2011						
	Reportable segments					Adjustments and eliminations	Consolidated
	Aviation-related business	Media & life service business	Retail business	Food & beverage business	Total		
	<i>(Thousands of U.S. dollars)</i>						
Sales, profits (losses) and assets by reportable segments:							
Sales to outside parties	\$235,388	\$151,459	\$550,375	\$213,877	\$1,151,099	\$ –	\$1,151,099
Inter-segment sales and transfers	98	1,218	387	1,670	3,373	(3,373)	–
Total	235,486	152,678	550,761	215,547	1,154,472	(3,373)	1,151,099
Segment profits	\$ 11,424	\$ 16,644	\$ 5,373	\$ 11,184	\$ 44,625	\$(25,993)	\$ 18,632
Segment assets	\$ 81,007	\$ 88,207	\$128,116	\$ 62,203	\$ 359,534	\$ 57,211	\$ 416,745
Other items:							
Depreciation and amortization	\$ 3,563	\$ 1,046	\$ 4,815	\$ 77	\$ 9,500	\$ 3,270	\$ 12,770
Amortization of goodwill	\$ –	\$ –	\$ 252	\$ –	\$ 252	\$ –	\$ 252
Investment in affiliates accounted for by the equity method	\$ 6,229	\$ 3,364	\$ –	\$ –	\$ 9,593	\$ 12,081	\$ 21,674
Capital expenditures	\$ 1,505	\$ 7,094	\$ 3,163	\$ 42	\$ 11,804	\$ 1,426	\$ 13,230

Adjustments and eliminations for segment profits and losses include minus ¥193 thousand (\$2 thousand) of elimination of inter-segment profit and minus ¥2,157,266 thousand (\$25,991 thousand) of corporate general administration expenses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥63,803 thousand (\$769 thousand) of elimination of accounts inter-segment receivable and ¥4,812,310 thousand (\$57,980 thousand) of corporate assets which are not allocable to the reportable segments. Corporate assets consist primarily of investments in securities and assets belonging to the administrative part of the Company.

Adjustments and eliminations for capital expenditures consist primarily of investments in the head office building.

20. Segment Information (continued)

	Year ended March 31, 2010						
	Reportable segments					Adjustments and eliminations	Consolidated
	Aviation- related business	Media & life service business	Retail business	Food & beverage business	Total		
	<i>(Thousands of yen)</i>						
Sales, profits (losses) and assets by reportable segments:							
Sales to outside parties	¥27,739,967	¥14,803,458	¥46,475,469	¥16,542,412	¥105,561,308	¥ –	¥105,561,308
Inter-segment sales and transfers	4,173	85,392	13,101	33,011	135,678	(135,678)	–
Total	27,744,140	14,888,851	46,488,571	16,575,424	105,696,987	(135,678)	105,561,308
Segment profits	¥ 1,065,899	¥ 941,592	¥ (122,487)	¥ 565,182	¥ 2,450,186	¥(2,745,178)	¥ (294,992)
Segment assets	¥10,166,632	¥ 8,769,964	¥12,194,483	¥ 5,897,537	¥ 37,028,617	¥ 6,410,507	¥ 43,439,125
Other items:							
Depreciation and amortization	¥ 352,862	¥ 19,628	¥ 373,151	¥ 3,928	¥ 749,571	¥ 393,858	¥ 1,143,430
Amortization of goodwill	¥ –	¥ –	¥ 20,894	¥ –	¥ 20,894	¥ –	¥ 20,894
Investment in affiliates accounted for by the equity method	¥ 582,665	¥ 252,581	¥ –	¥ –	¥ 835,246	¥ 942,729	¥ 1,777,976
Capital expenditures	¥ 170,999	¥ 1,418,286	¥ 438,721	¥ 19,442	¥ 2,047,449	¥ 67,844	¥ 2,115,293

Adjustments and eliminations for segment profits and losses include ¥3,867 thousand of elimination of inter-segment profit and minus ¥2,749,046 thousand of corporate general administration expenses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥39,333 thousand of elimination of accounts inter-segment receivable and ¥6,449,841 thousand of corporate assets which are not allocable to the reportable segments. Corporate assets consist primarily of investments in securities and assets belonging to the administrative part of the Company.

Adjustments and eliminations for capital expenditures consist primarily of investments in the head office software.

For the years ended March 31, 2011 and 2010, net sales to outside parties in Japan represent more than 90% of consolidated operating revenues. As a result, net sales to outside parties by countries or areas grouped according to geographical classification are not required to be disclosed.

Property and equipment by geographical countries or areas at March 31, 2011 and 2010 are summarized as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Japan	¥5,187,391	¥5,761,938	\$62,499
North America	1,069,657	2,232,010	12,887
Other overseas countries	79,992	94,557	964
	¥6,337,041	¥8,088,506	\$76,350

20. Segment Information (continued)

Impairment loss on fixed assets by reportable segments for the years ended March 31, 2011 and 2010 is summarized as follows:

	March 31,		
	2011	2010	2011
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Aviation-related business	¥ –	¥ 88,600	\$ –
Media & life service business	169,913	6,164	2,047
Retail business	131,627	24,618	1,586
Food & beverage business	–	116	–
Reportable segments total	<u>301,540</u>	<u>119,500</u>	<u>3,633</u>
Adjustments and eliminations	4,620	249,073	56
	<u>¥306,161</u>	<u>¥368,573</u>	<u>\$3,689</u>

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2011 and 2010 by reportable segments:

	Year ended March 31, 2011						
	Reportable segments					Adjustments and eliminations	Consolidated
	Aviation-related business	Media & life service business	Retail business	Food & beverage business	Total		
	<i>(Thousands of yen)</i>						
Amortization	¥ –	¥ –	¥182,832	¥ –	¥182,832	¥ –	¥182,832
Balance as of March 31	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
	Year ended March 31, 2011						
	Reportable segments					Adjustments and eliminations	Consolidated
	Aviation-related business	Media & life service business	Retail business	Food & beverage business	Total		
	<i>(Thousands of U.S. dollars)</i>						
Amortization	\$ –	\$ –	\$2,203	\$ –	\$2,203	\$ –	\$2,203
Balance as of March 31	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
	Year ended March 31, 2010						
	Reportable segments					Adjustments and eliminations	Consolidated
	Aviation-related business	Media & life service business	Retail business	Food & beverage business	Total		
	<i>(Thousands of yen)</i>						
Amortization	¥ –	¥ –	¥ 20,894	¥ –	¥ 20,894	¥ –	¥ 20,894
Balance as of March 31	¥ –	¥ –	¥182,832	¥ –	¥182,832	¥ –	¥182,832

20. Segment Information (continued)

Segment information for the years ended March 31, 2010 and 2009 under the previous accounting standards

The segment information for the year ended March 31, 2009 in accordance with new accounting standards has not been restated as it was impracticable. The Company has disclosed this segment information under the previous accounting standards as supplemental information only.

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

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					General corporate assets and intercompany eliminations	Consolidated
	Aviation-related business	Corporate solution business	Travel retail business	Food & beverage business	Total		
	(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, 2009						
	(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

20. Segment Information (continued)

Segment information for the years ended March 31, 2010 and 2009 under the previous accounting standards (continued)

Unallocated operating expenses included in “General corporate assets and intercompany eliminations” for the years ended March 31, 2010 and 2009 amounted to ¥2,749,046 thousand and ¥2,997,075 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 and 2009 amounted to ¥7,080,076 thousand and ¥6,288,474 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 and 2009 are summarized as follows:

	Year ended March 31, 2010				General corporate assets and intercompany eliminations	Consolidated
	Japan	North America	Other overseas countries	Total		
	(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
	Year ended March 31, 2009					
	(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

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.

21. Related Party Transactions

The Company had related party transactions with Japan Airlines International Co., Ltd. for which the Company is an affiliate. Japan Airlines International Co., Ltd. changes its company name to Japan Airlines Co., Ltd. on April 1, 2011.

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., for the years ended March 31, 2011, 2010 and 2009 are summarized as follows:

With Japan Airlines International Co., Ltd.:

	Year ended March 31,			2011 (Thousands of U.S. dollars)
	2011 (Thousands of yen)	2010 (Thousands of yen)	2009 (Thousands of yen)	
Sales of flight equipment	¥9,388,896	¥11,551,745	¥13,023,066	\$113,119
Purchases of merchandise	2,175,285	7,780,376	7,075,975	26,208
Purchase of land for business	–	–	490,028	–

	March 31,			2011 (Thousands of U.S. dollars)
	2011 (Thousands of yen)	2010 (Thousands of yen)	2009 (Thousands of yen)	
Accounts receivable		¥1,157,551	¥1,661,261	\$13,946
Advance payment		5,296	16,907	64
Accounts payable		124,659	335,260	1,502

The significant transactions between certain consolidated subsidiaries of the Company and Japan Airlines International Co., Ltd. for the years ended March 31, 2011 and 2010 are summarized as follows:

With Japan Airlines International Co., Ltd.:

	Year ended March 31,			2011 (Thousands of U.S. dollars)
	2011 (Thousands of yen)	2010 (Thousands of yen)	2009 (Thousands of yen)	
Sales of flight equipment and revenue from leases of aircraft	¥676,980	¥1,459,944	¥2,267,176	\$8,156

	March 31,			2011 (Thousands of U.S. dollars)
	2011 (Thousands of yen)	2010 (Thousands of yen)	2009 (Thousands of yen)	
Accounts receivable		¥33,119	¥ 97,061	\$399
Lease receivable		–	130,809	–