Independent Auditor’s Report

The Board of Directors
JALUX Inc.

We have audited the accompanying consolidated financial statements of JALUX Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’*s Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’*s Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity’s internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

June 15, 2012
Tokyo, Japan

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31, 2012	March 31, 2011	March 31, 2012
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and time deposits *(Notes 15 and 19)*	¥ 5,391,474	¥ 5,007,068	$ 65,750
Notes and accounts receivable *(Notes 15 and 21)*:			
Trade	9,597,134	8,733,779	117,038
Affiliates	18,124	88,382	221
Other	1,483,330	960,936	18,089
Allowance for doubtful accounts	(68,984)	(110,266)	(841)
Short-term investments *(Notes 15 and 19)*	–	1,000,000	–
Inventories *(Note 4)*	5,919,467	5,213,580	72,189
Deferred income taxes *(Note 11)*	380,574	620,554	4,641
Other *(Note 21)*	1,285,025	844,512	15,671
Total current assets	24,006,148	22,358,547	292,758
Investments and advances:			
Unconsolidated subsidiaries and affiliates *(Note 15)*	1,273,530	1,843,573	15,531
Other *(Notes 15 and 16)*	279,453	205,415	3,408
Total investments and advances	1,552,983	2,048,988	18,939
Property and equipment *(Notes 5 and 10)*:			
Land	1,748,449	2,043,115	21,323
Buildings and structures	3,646,893	4,774,929	44,474
Machinery and vehicles	186,243	66,869	2,271
Flight equipment	909,727	2,020,172	11,094
Construction in process	2,704	4,093	33
Other	1,197,373	1,147,247	14,602
	7,691,392	10,056,427	93,797
Accumulated depreciation	(2,573,031)	(3,719,386)	(31,378)
Property and equipment, net	5,118,360	6,337,041	62,419
Intangible assets *(Note 10)*:			
Software	373,965	665,184	4,561
Other	31,393	33,820	383
Total intangible assets	405,358	699,004	4,943
Long-term loans	170,795	352,536	2,083
Deposits for business space *(Note 15)*	2,044,277	2,101,785	24,930
Deferred income taxes *(Note 11)*	265,691	612,910	3,240
Business commencement expenses	81,698	–	996
Other assets, net	57,615	78,996	703
	¥33,702,929	¥34,589,811	$411,011

	March 31,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Liabilities and net assets			
Current liabilities:			
Short-term borrowings *(Notes 5 and 15)*	¥ 1,957,249	¥ 213,597	$ 23,869
Current portion of long-term debt *(Notes 5 and 15)*	1,135,766	2,362,300	13,851
Notes and accounts payable *(Notes 15 and 21)*:			
Trade	8,452,289	8,380,161	103,077
Affiliates	120,439	134,124	1,469
Accrued expenses	1,796,380	1,844,389	21,907
Accrued income taxes *(Note 11)*	286,390	60,050	3,493
Other	2,978,743	2,428,900	36,326
Total current liabilities	16,727,258	15,423,526	203,991
Long-term debt *(Notes 5 and 15)*	1,827,661	4,724,797	22,289
Accrued pension and severance costs *(Note 6)*	411,248	292,457	5,015
Directors' and statutory auditors' retirement benefits	33,225	28,275	405
Deferred income taxes *(Note 11)*	201,864	–	2,462
Other	125,866	145,311	1,535
Commitments and contingent liabilities *(Notes 5 and 13)*			
Net assets *(Note 7)*:			
Common stock, without par value:			
Authorized: 20,000,000 shares			
Issued: 12,775,000 shares in 2012 and 2011	2,558,550	2,558,550	31,202
Capital surplus	711,250	711,250	8,674
Retained earnings	10,811,239	10,482,317	131,844
Common stock in treasury	(68,191)	(75,687)	(832)
Net unrealized loss on other securities, net of taxes *(Note 16)*	(7,685)	(21,994)	(94)
Net unrealized gain on hedging instruments, net of taxes *(Note 17)*	27,730	17,761	338
Translation adjustments	(919,112)	(823,396)	(11,209)
Subscription rights to shares *(Note 8)*	9,882	13,276	121
Minority interests	1,252,141	1,113,367	15,270
Total net assets	14,375,804	13,975,444	175,315
	¥33,702,929	¥34,589,811	$411,011

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating revenues *(Notes 20 and 21)*	¥89,082,950	¥95,541,254	$1,086,377
Operating expenses *(Notes 20 and 21)*:			
Cost of sales	70,263,898	74,970,532	856,877
Selling, general and administrative expenses *(Note 8)*	17,198,037	19,024,276	209,732
	87,461,936	93,994,808	1,066,609
Operating income	1,621,014	1,546,445	19,768
Non-operating income (expenses):			
Interest income	10,869	14,794	133
Interest expense	(104,938)	(171,985)	(1,280)
Equity in (losses) earnings of affiliates	(81,404)	71,378	(993)
Other, net *(Note 9)*	(41,654)	(407,144)	(508)
	(217,128)	(492,957)	(2,648)
Income before income taxes and minority interests	1,403,885	1,053,487	17,121
Income taxes *(Note 11)*:			
Current	379,198	108,004	4,624
Deferred	287,388	468,828	3,505
	666,586	576,833	8,129
Net income before minority interests	737,298	476,654	8,991
Minority (interests) loss	(43,981)	16,043	(536)
Net income	¥ 693,317	¥ 492,697	$ 8,455

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

	March 31,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Income before minority interests	¥737,298	¥ 476,654	$ 8,991
Other comprehensive income:			
Net unrealized gain (loss) on other securities, net of taxes	8,549	(29,502)	104
Net unrealized gain on hedging instruments, net of taxes	9,968	15,012	122
Translation adjustments	(96,107)	(259,484)	(1,172)
Share of other comprehensive income of companies accounted for by the equity method	6,461	(2,009)	79
Total other comprehensive income *(Note 12)*	(71,127)	(275,984)	(867)
Comprehensive income	¥666,171	¥ 200,670	$ 8,124
Comprehensive income attributable to:			
Stockholders of JALUX Inc.	¥621,879	¥ 220,471	$ 7,584
Minority interests	¥ 44,292	¥ (19,801)	$ 540

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 on other securities, net of taxes *(Note 15)*	Net unrealized gain 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, 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			(249)	(1,951)	22,217						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
Cash dividends (¥5 per share)				(63,620)							(63,620)
Net income for the year ended March 31, 2012				693,317							693,317
Change in scope of equity method				(298,501)	1,407						(297,093)
Purchases of common stock in treasury					(139)						(139)
Disposal of common stock in treasury				(2,273)	6,227						3,954
Other						14,309	9,968	(95,715)	(3,394)	138,774	63,942
Balance at March 31, 2012	12,775,000	¥2,558,550	¥711,250	¥10,811,239	¥(68,191)	¥ (7,685)	¥27,730	¥(919,112)	¥ 9,882	¥1,252,141	¥14,375,804

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Net unrealized loss on other securities, net of taxes *(Note 15)*	Net unrealized gain 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, 2011	12,775,000	$31,202	$8,674	$127,833	$(923)	$(268)	$217	$(10,041)	$162	$13,578	$170,432
Cash dividends ($0.06 per share)				(776)							(776)
Net income for the year ended March 31, 2012				8,455							8,455
Change in scope of equity method				(3,640)	17						(3,623)
Purchases of common stock in treasury					(2)						(2)
Disposal of common stock in treasury				(28)	76						48
Other						175	122	(1,167)	(41)	1,692	780
Balance at March 31, 2012	12,775,000	$31,202	$8,674	$131,844	$(832)	$ (94)	$338	$(11,209)	$121	$15,270	$175,315

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating activities			
Income before income taxes and minority interests	¥ 1,403,885	¥ 1,053,487	$17,121
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	728,340	1,059,910	8,882
(Decrease) increase in provision for allowance for doubtful accounts	(55,270)	16,524	(674)
Increase in net provision for accrued pension and severance costs	118,878	105,870	1,450
Interest and dividend income	(15,543)	(22,288)	(190)
Interest expense	104,938	171,985	1,280
Exchange loss, net	4,596	1,941	56
Equity in losses (earnings) of affiliates	81,404	(71,378)	993
Loss on sales of, and loss on disposal of property and equipment	63,016	93,415	768
Impairment losses on fixed assets	58,808	306,161	717
Loss (gain) on sales of investments in securities	42,073	(195,444)	513
Loss on revaluation of investments in securities	11,028	89,289	134
(Increase) decrease in notes and accounts receivable	(677,659)	1,971,747	(8,264)
Decrease in inventories	571,082	1,008,950	6,964
Increase (decrease) in notes and accounts payable	86,050	(1,049,229)	1,049
(Increase) decrease in advance payment	(438,580)	8,289	(5,349)
Increase in advance received	312,944	18,180	3,816
Decrease (increase) in bad debts on receivables	11,499	(7,127)	140
Other, net	(261,394)	698,995	(3,188)
Subtotal	2,150,100	5,259,279	26,221
Interest and dividends received	52,366	82,042	639
Interest paid	(124,322)	(180,217)	(1,516)
Income taxes paid	(238,680)	(214,402)	(2,911)
Net cash provided by operating activities	1,839,462	4,946,702	22,432
Investing activities			
Purchases of property and equipment	(273,121)	(1,137,284)	(3,331)
Proceeds from sales of property and equipment	6,172	1,046,605	75
Purchases of intangible assets	(128,004)	(94,694)	(1,561)
Purchases of investments in securities	(2,253)	(244)	(27)
Proceeds from sales of investments in securities	5,522	355,961	67
Long-term loans receivable made	(431)	(17,031)	(5)
Collection of long-term loans	129,646	93,008	1,581
Purchases of time deposits	(17,990)	(5,662)	(219)
Proceeds from maturity of time deposits	17,430	–	213
Increase in deposits for business space	(140,189)	(194,601)	(1,710)
Decrease in deposits for business space	279,893	261,714	3,413
Other, net	49,524	(7,729)	604
Net cash (used in) provided by investing activities	(73,799)	300,042	(900)
Financing activities			
Increase (decrease) in short-term borrowings, net	1,747,278	(5,167,910)	21,308
Proceeds from long-term loans	610,000	11,324	7,439
Repayment of long-term loans	(4,687,110)	(2,096,411)	(57,160)
Proceeds from minority stockholders	98,000	–	1,195
Dividends paid to stockholders	(64,172)	(1,339)	(783)
Dividends paid to minority stockholders	–	(60,000)	–
Other, net	(62,524)	(20,103)	(762)
Net cash used in financing activities	(2,358,529)	(7,334,440)	(28,763)
Effect of exchange rate changes on cash and cash equivalents	(21,782)	(52,380)	(266)
Net decrease in cash and cash equivalents	(614,648)	(2,140,076)	(7,496)
Cash and cash equivalents at beginning of the year	5,999,315	8,139,392	73,162
Cash and cash equivalents at end of the year *(Note 19)*	¥ 5,384,667	¥ 5,999,315	$65,667

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2012

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, certain modifications and inclusion of certain additional financial information are made 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.

f. 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. The consolidated foreign subsidiaries principally adopt the straight-line method based. The estimated useful lives of the assets are as follows:

Buildings and structures:	10 to 47 years
Machinery and vehicles:	4 to 10 years
Flight equipment:	10 years

1. Summary of Significant Accounting Policies (continued)

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. Deferred charges

Business commencement expenses are amortized using the straight-line method over 5 years or less.

j. 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.

k. Reserve for bonuses to officers

Reserve for bonuses to officers is provided for at the necessary amounts based on the estimated amounts payable at the date of the balance sheet.

l. 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.

m. 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)

n. 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

Effective April 1, 2011, the Company adopted the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standard Board of Japan (ASBJ) Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥82.00 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2012, 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, 2012 and 2011 were as follows:

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished products	¥4,163,630	¥4,930,999	$50,776
Real estate held for sale	1,690,464	175,891	20,615
Raw materials and supplies	65,372	106,688	797
	¥5,919,467	¥5,213,580	$72,189

Land, buildings and structures of ¥1,233,944 thousand ($15,048 thousand) were transferred to real estate held for sale and flight equipment of ¥40,300 thousand ($491 thousand) were transferred to merchandise and finished products at March 31, 2012 because the Company changed the purpose of holding those assets.

Revaluation loss included in "Cost of sales" amounted to ¥71,668 thousand ($874 thousand) and ¥87,824 thousand for the years ended March 31, 2012 and 2011.

5. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt at March 31, 2012 and 2011 consisted of the following:

	March 31, 2012	March 31, 2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Short-term Borrowings:			
Short-term Borrowings with collateral, at rates 0.98%	¥ 840,000	¥ –	$ 10,244
Short-term Borrowings without collateral, at rates ranging from 0.88% to 1.88%	1,117,249	213,597	13,625
	¥ 1,957,249	¥ 213,597	$ 23,869
Long-term debt:			
Loans with collateral, due 2011 to 2016, at rates ranging from 1.65% to 1.85%	¥ –	¥ 3,500,000	$ –
Loans without collateral, due 2011 to 2016, at rates ranging from 1.59% to 4.32%	2,270,774	2,846,601	27,692
Other	692,652	740,497	8,447
	2,963,427	7,087,098	36,139
Less current portion of long-term debt	(1,135,766)	(2,362,300)	(13,851)
	¥ 1,827,661	¥ 4,724,797	$ 22,289

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
2013	¥1,135,766	$13,851
2014	632,499	7,713
2015	211,382	2,578
2016	229,361	2,797
2017 and thereafter	754,417	9,200
	¥2,963,427	$36,139

Assets pledged as collateral at March 31, 2012 and 2011 are summarized as follows:

	March 31, 2012	March 31, 2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Land	¥1,710,059	¥1,867,771	$20,854
Buildings and structures, net of accumulated depreciation	1,482,483	2,113,221	18,079
Inventories	715,024	–	8,720
	¥3,907,568	¥3,980,993	$47,653

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, 2012 and 2011 were as follows:

	March 31,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Total commitment available	¥ 7,000,000	¥4,000,000	$ 85,366
Less amount utilized	(1,650,000)	–	(20,122)
Balance available	¥ 5,350,000	¥4,000,000	$ 65,244

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,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Projected benefit obligation	¥(2,790,332)	¥(2,820,147)	$(34,028)
Plan assets	2,117,423	2,069,264	25,822
Accrued pension and severance costs	411,248	292,457	5,015
Net unrecognized amount	¥ (261,659)	¥ (458,426)	$ (3,191)

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,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Actuarial assumption adjustment	¥(201,315)	¥(337,739)	$(2,455)
Post service cost	(60,343)	(120,686)	(736)
Net unrecognized amount	¥(261,659)	¥(458,426)	$(3,191)

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

	Year ended March 31,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Service cost	¥171,738	¥150,177	$2,094
Interest cost on projected benefit obligation	45,310	45,379	553
Expected return on plan assets	(46,585)	(44,776)	(568)
Amortization of actuarial assumption adjustment	150,310	126,723	1,833
Amortization of past service cost	60,343	60,343	736
Net periodic pension and severance costs	¥381,116	¥337,846	$4,648

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

The assumptions used were as follows:

	2012	2011
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, 2012 and 2011 were as follows:

	Year ended March 31, 2012			
	At March 31, 2011	Increase	Decrease	At March 31, 2012
		(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	61	0	6	54

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 4 thousand shares resulted from exercise of subscription rights as stock options, and 2 thousand shares resulted from change in scope of equity method.

	Year ended March 31, 2011			
	At March 31, 2010	Increase	Decrease	At March 31, 2011
		(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	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)

Dividends

Dividends paid

Resolution	Type of shares	Total dividends		Dividends per share		Cut off date	Effective date
		(Thousands of yen)	*(Thousands of U.S. dollars)*	*(Yen)*	*(U.S. dollars)*		
General meeting of stockholders held on June 17, 2011	Common stock	¥63,620	$776	¥5.0	$0.06	March 31, 2011	June 20, 2011

Dividends with the cut off date in the year ended March 31, 2012 and effective date in the year ended March 31, 2013

Resolution	Type of shares	Total dividends		Dividends per share		Cut off date	Effective date
		(Thousands of yen)	*(Thousands of U.S. dollars)*	*(Yen)*	*(U.S. dollars)*		
General meeting of stockholders held on June 15, 2012	Common stock	¥190,926	$2,328	¥15.0	$0.18	March 31, 2012	June 18, 2012

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, 2012 are as follows:

	2010 Stock Option Plan	2009 Stock Option Plan
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

8. Stock Options (continued)

The changes in the size of stock options for the year ended March 31, 2012 are as follows:

	2010 Stock Option Plan	2009 Stock Option Plan
Share subscription rights which are not yet vested *(Number of shares)*		
Outstanding as of March 31, 2011	–	–
Granted	–	–
Forfeited	–	–
Vested	–	–
Outstanding as of March 31, 2012	–	–
Share subscription rights which have already been vested *(Number of shares)*		
Outstanding as of March 31, 2011	15,000	4,900
Vested	–	–
Exercised	(2,900)	(1,700)
Forfeited	(2,900)	–
Outstanding as of March 31, 2012	9,200	3,200
Exercise price *(yen)*	¥ 1	¥ 1
Weighted average fair value per stock at the exercising date *(yen)*	703	703
Fair value per stock option at the granted date *(yen)*	654	1,208
Exercise price *(U.S. dollars)*	$ 0.01	$ 0.01
Weighted average fair value per stock at the exercising date *(U.S. dollars)*	8.57	8.57
Fair value per stock option at the granted date *(U.S. dollars)*	7.98	14.73

Stock option expense included in “Selling, general and administrative expenses” for the year ended March 31, 2012 and 2011 amounted to ¥555 thousand ($7 thousand) and ¥11,766 thousand, respectively.

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, 2012 and 2011 were as follows:

	Year ended March 31,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Dividends received	¥ 4,674	¥ 7,494	$ 57
Exchange gain, net	157,664	149,367	1,923
Brokerage commission received	32,289	50,004	394
Gain on sales of property and equipment	4,061	10,778	50
Gain on sales of investments in securities	–	195,444	–
Gain on reversal of allowance for doubtful accounts	–	8,786	–
Gain on liquidation of investment securities	16,754	–	204
Commission paid	(45,726)	(34,533)	(558)
Nondeductible consumption tax	–	(117,218)	–
Loss on sales and disposal of property and equipment	(67,077)	(104,193)	(818)
Impairment losses on fixed assets	(58,808)	(306,161)	(717)
Loss on sales of investments in securities	(42,073)	–	(513)
Loss on revaluation of investments in securities	(11,028)	(89,289)	(134)
Special termination benefits	(88,886)	(8,192)	(1,084)
Amortization of goodwill	–	(161,937)	–
Other, net	56,501	(7,493)	689
	¥ (41,654)	¥(407,144)	$ (508)

10. Impairment of Fixed Assets

For the year ended March 31, 2012, the Company recognized impairment losses on fixed assets of ¥58,808 thousand ($717 thousand), and for the years ended March 31, 2011 the Company and a consolidated subsidiary recognized impairment losses on fixed asset of ¥306,161 thousand which consisted of the following:

			Year ended March 31,		
Location	Use	Classification	2012	2011	2012
			(Thousands of yen)		*(Thousands of U.S. dollars)*
Sennan-gun, Osaka	Airport shops	Buildings, furniture and other	¥ 5,514	¥ –	$ 67
Shinagawa-ku, Tokyo	Business assets	Buildings, furniture, software and other	53,294	93,917	650
Omura-shi, Nagasaki and other 5 shops	Airport shops	Buildings, furniture, software and other	–	23,251	–
Narita-shi, Chiba	Rental properties	Buildings and Land	–	169,913	–
California, America	Business assets	Buildings and software	–	19,079	–

10. Impairment of Fixed Assets (continued)

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, 2012 and 2011. Impairment losses on rental properties were recognized due to decrease in market value for the year ended March 31, 2011.

The recoverable amount of each group of assets was measured by their usage value and future cash flows at discount rates of 3.1% for the years ended March 31, 2012 and 2011.

11. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued bonuses	¥ 186,093	¥ 203,186	$ 2,269
Allowance for doubtful accounts	19,034	47,126	232
Accrued pension and severance costs	154,840	119,276	1,888
Impairment losses on fixed assets	122,035	563,419	1,488
Accrued enterprise tax	23,522	37,706	287
Elimination of unrecognized gain on intercompany accounts and transactions	72,331	69,309	882
Directors' and statutory auditors' retirement benefits	11,978	11,474	146
Loss on revaluation of inventories	94,780	42,880	1,156
Loss on revaluation of investments in securities	3,575	48,503	44
Tax loss carryforwards	142,614	254,617	1,739
Other	195,646	300,623	2,386
	1,026,453	1,698,124	12,518
Valuation allowance	(126,503)	(164,454)	(1,543)
Total deferred tax assets	899,950	1,533,669	10,975
Deferred tax liabilities:			
Accumulated retained earnings of consolidated subsidiaries	(58,397)	(80,980)	(712)
Depreciation	(243,844)	(138,328)	(2,974)
Other	(153,307)	(80,894)	(1,870)
Total deferred tax liabilities	(455,549)	(300,204)	(5,555)
Net deferred tax assets	¥ 444,401	¥1,233,464	$ 5,420

11. Income Taxes (continued)

Reconciliations between the statutory tax rate and the effective tax rates for the years ended March 31, 2012 and 2011 were presented as follows:

	Year ended March 31,	
	2012	**2011**
Statutory tax rate	40.69%	40.69%
Disallowed expenses, including entertainment expenses	2.46	3.41
Non-taxable income, including dividends received	(0.19)	(1.04)
Inhabitants' per capita taxes	1.07	1.50
Changes in valuation allowance	(1.49)	6.05
Equity in earnings of affiliates	2.36	(2.76)
Amortization of goodwill	–	7.06
Decrease in deferred tax assets due to tax rate change	3.37	–
Other	(0.79)	(0.16)
Effective tax rate	47.48%	54.75%

The "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were issued on December 2, 2011 and the phasing reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to corporate taxes effective for fiscal years beginning on or after April 1, 2012.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 40.69% to 38.01% for the temporary differences expected to be realized or settled in the period from April 1, 2012 to March 31, 2015 and from 38.01% to 35.64% for temporary differences expected to be realized or settled from fiscal years beginning April 1, 2015. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, net by ¥47,468 thousand ($579 thousand) and increase deferred income taxes by ¥47,744 thousand ($582 thousand), net unrealized gain on other securities by ¥922 thousand ($11 thousand) and net unrealized gain on hedging instruments by ¥1,198 thousand ($15 thousand) as of and for the year ended March 31, 2012.

12. Other Comprehensive Income

The following table presents reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the year ended March 31,2012:

	Year ended March 31, 2012	
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Net unrealized loss on other securities:		
Amount arising during the year	¥ 6,482	$ 79
Reclassification adjustments for gains and losses included in net income	9,814	120
Amount before tax effect	16,296	199
Tax effect	(7,746)	(94)
	8,549	104
Net unrealized gain on hedging instruments:		
Amount arising during the year	14,786	180
Tax effect	(4,817)	(59)
	9,968	122
Translation adjustments:		
Amount arising during the year	(98,568)	(1,202)
Tax effect	2,460	30
	(96,107)	(1,172)
Share of other comprehensive income of companies accounted for by the equity method:		
Amount arising during the year	6,461	79
Total other comprehensive income	¥(71,127)	$ (867)

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, 2012 and 2011, and the related depreciation and interest expense for the years ended March 31, 2012 and 2011, which would have been reflected in the consolidated balance sheets and the related consolidated statements of income:

	March 31, 2012		
	Property and equipment – other	Software	Total
	(Thousands of yen)		
Acquisition costs	¥818	¥135	¥953
Less accumulated depreciation	785	130	915
Net book value	¥ 32	¥ 4	¥ 37

	March 31, 2012		
	Property and equipment – other	Software	Total
	(Thousands of U.S. dollars)		
Acquisition costs	$10	$2	$12
Less accumulated depreciation	10	2	11
Net book value	$ 0	$0	$ 0

	March 31, 2011		
	Property and equipment – other	Software	Total
	(Thousands of yen)		
Acquisition costs	¥39,391	¥2,223	¥41,614
Less accumulated depreciation	35,569	2,052	37,622
Net book value	¥ 3,821	¥ 170	¥ 3,992

	Year ended March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Depreciation expense	¥3,791	¥11,499	$46
Interest expense	¥ 46	¥ 273	$ 1

No impairment loss had been recognized on leased property for the years ended March 31, 2012 and 2011.

13. Leases (continued)

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

Lease expenses relating to the financing leases accounted for as operating leases amounted to ¥4,746 thousand ($58 thousand) and ¥13,594 thousand for the years ended March 31, 2012 and 2011.

Future rental expenses under financing leases accounted for as operating leases outstanding at March 31, 2012 and 2011 are summarized as follows:

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥57	¥4,746	$1
Over 1 year	–	224	–
	¥57	¥4,971	$1

Future rental expenses under operating leases outstanding at March 31, 2012 and 2011 are summarized as follows:

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥39,997	¥ 86,964	$ 488
Over 1 year	56,231	179,126	686
	¥96,229	¥266,091	$1,174

As lessor under financing leases

The annual collections of lease receivables subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
2013	¥11,936	$146
2014	7,816	95
2015	5,119	62
2016	2,319	28
2017	1,015	12

13. Leases (continued)

As lessor under financing leases (continued)

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

Year ending March 31,	*(Thousands of yen)*
2012	¥10,564
2013	10,816
2014	6,353
2015	4,443

As lessor under operating leases

Future rental revenues under operating leases outstanding at March 31, 2012 and 2011 are summarized as follows:

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 177,674	¥ 264,554	$ 2,167
Over 1 year	1,890,132	2,581,846	23,050
	¥2,067,806	¥2,846,401	$25,217

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, 2012 and 2011 are summarized as follows:

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥1,592,742	¥1,655,421	$19,424
Over 1 year	4,536,253	5,180,451	55,320
	¥6,128,996	¥6,835,873	$74,744

13. Leases (continued)

As lessee and lessor under subleases (continued)

Future rental expenses as lessee under the original lease agreements outstanding at March 31, 2012 and 2011 are summarized as follows:

	March 31,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥1,577,967	¥1,609,547	$19,244
Over 1 year	5,487,372	6,683,043	66,919
	¥7,065,340	¥8,292,591	$86,163

14. Amounts Per Share

Net income 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,		
	2012	2011	2012
	(Yen)		*(U.S. dollars)*
Net income per share of common stock:			
Basic	¥54.51	¥38.76	$0.665
Diluted	¥54.45	¥38.72	0.664

The following table sets forth the basis of the computation of net income per share and diluted net income per share of common stock for the years ended March 31, 2012 and 2011:

	Year ended March 31,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Net income	¥693,317	¥492,697	$8,455
Net income available to stockholders of shares of common stock	¥693,317	¥492,697	$8,455

	Year ended March 31,	
	2012	2011
	(Thousands of shares)	
Weighted-average number of shares of common stock outstanding	12,719	12,710
Effect of dilutive securities:		
Subscription rights to shares	13	15

14. Amounts Per Share (continued)

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

	March 31,		
	2012	2011	2012
	(Yen)		(U.S. dollars)
Net assets per share	¥1,030.90	¥1,010.65	$12.572

15. Financial Instruments

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, 2012 and 2011 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, 2012		
	Carrying value	Estimated fair value	Difference
	(Thousands of yen)		
Assets			
Cash and time deposits	¥ 5,391,474	¥ 5,391,474	¥ –
Trade notes and accounts receivable	9,615,259	9,615,259	–
Investment securities	111,065	111,065	–
Total assets	¥15,117,800	¥15,117,800	¥ –
Liabilities			
Trade notes and accounts payable	¥ 8,572,728	¥ 8,572,728	¥ –
Short-term borrowings	1,957,249	1,957,249	–
Accrued expenses	1,796,380	1796,380	–
Long-term debt (*1)	2,270,774	2,277,215	6,440
Total liabilities	¥14,597,133	¥14,603,573	¥6,440
Derivatives (*2)	¥ 15,608	¥ 15,608	¥ –

	March 31, 2012		
	Carrying value	Estimated fair value	Difference
	(Thousands of U.S. dollars)		
Assets			
Cash and time deposits	$ 65,750	$ 65,750	$ –
Trade notes and accounts receivable	117,259	117,259	–
Investment securities	1,354	1,354	–
Total assets	$184,363	$184,363	$ –
Liabilities			
Trade notes and accounts payable	$104,545	$104,545	$ –
Short-term borrowings	23,869	23,869	–
Accrued expenses	21,907	21,907	–
Long-term debt (*1)	27,692	27,771	79
Total liabilities	$178,014	$178,092	$79
Derivatives (*2)	$ 190	$ 190	$ –

15. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	March 31, 2011		
	Carrying value	Estimated fair value	Difference
	(Thousands of yen)		
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	¥ –

*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 17 Derivative Transactions of the notes to the consolidated financial statements. The fair value information of embedded derivative of the hybrid financial instrument is included in Note 16 Securities.

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

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks	¥1,436,917	¥1,939,718	$17,523
Deposits for business space	2,044,277	2,101,785	24,930

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, 2012			
	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	¥ 5,346,330	¥–	¥–	¥ –
Trade notes and accounts receivable	9,615,259	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	100,000
Other	–	–	–	–
Total	¥14,961,590	¥–	¥–	¥100,000

15. Financial Instruments (continued)

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

	March 31, 2012			
	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	$ 65,199	$–	$–	$ –
Trade notes and accounts receivable	117,259	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	1,220
Other	–	–	–	–
Total	$182,458	$–	$–	$1,220

	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
	(Thousands of yen)			
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

16. Securities

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2012 and 2011 are summarized as follows:

	March 31, 2012		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of yen)		
Unrealized gain:			
Stocks	¥ 1,313	¥ 1,116	¥ 197
	1,313	1,116	197
Unrealized loss:			
Stocks	11,006	11,186	(179)
Bonds:			
Other	85,020	100,000	(14,980)
Other	13,726	20,000	(6,273)
	109,752	131,186	(21,433)
Total	¥111,065	¥132,302	¥(21,236)

	March 31, 2012		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Unrealized gain:			
Stocks	$ 16	$ 14	$ 2
	16	14	2
Unrealized loss:			
Stocks	134	136	(2)
Bonds:			
Other	1,037	1,220	(183)
Other	167	244	(77)
	1,338	1,600	(261)
Total	$1,354	$1,613	$(259)

	March 31, 2011		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of yen)		
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	¥1,104,270	¥1,141,862	¥(37,592)

Non-marketable securities classified as other securities at March 31, 2012 and 2011 amounted to ¥163,387 thousand ($1,993 thousand) and ¥96,144 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, 2012 and 2011 were as follows.

	March 31,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sales proceeds:			
Stocks	¥ –	¥250,800	$ –
Other	–	–	–
	¥ –	¥250,800	$ –
Aggregate gain:			
Stocks	¥ –	¥159,141	$ –
Other	–	–	–
	¥ –	¥159,141	$ –
Aggregate loss:			
Stocks	¥ –	¥ –	$ –
Other	–	–	–
	¥ –	¥ –	$ –

The Company recognized ¥9,814 thousand ($120 thousand) of impairment losses on other securities for the year ended March 31, 2012.

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, 2012 and 2011, for which deferral hedged accounting has not been applied, are summarized as follows:

	March 31, 2012		
Maturing within one year	Notional amount	Fair value	Unrealized gain(loss)
	(Thousands of yen)		
Sell:			
USD	¥536,094	¥(29,125)	¥(29,125)

	March 31, 2012		
Maturing within one year	Notional amount	Fair value	Unrealized gain(loss)
	(Thousands of U.S. dollars)		
Sell:			
USD	$6,538	$(355)	$(355)

17. Derivative Transactions (continued)

The notional amounts and the estimated fair value of the forward foreign exchange contracts outstanding at March 31, 2012 and 2011, for which deferral hedged accounting has been applied, are summarized as follows:

	March 31, 2012	
Maturing within one year	Notional amount	Fair value
	(Thousands of yen)	
Sell:		
USD	¥ 5,332	¥ (3)
Buy:		
USD	1,146,615	41,316
EUR	80,252	3,159
Others	16,904	260
Total	¥1,249,103	¥44,732

	March 31, 2012	
Maturing within one year	Notional amount	Fair value
	(Thousands of U.S. dollars)	
Sell:		
USD	$ 65	$ (0)
Buy:		
USD	13,983	504
EUR	979	39
Others	206	3
Total	$15,233	$546

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

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, 2012 and 2011, are summarized as follows:

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sell:			
USD	¥143,172	¥ 4,242	$1,746
Buy:			
USD	322,432	1,264,898	3,932
EUR	69,917	21,342	853
Others	2,017	4,222	25
Total	¥537,538	¥1,294,704	$6,555

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, 2012 and 2011, are summarized as follows:

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Maturing within one year	¥200,000	¥200,000	$2,439
Maturing after one year	20,000	220,000	244
Total	¥220,000	¥420,000	$2,683

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

18. Investment and Rental Properties

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, 2012 are as follows:

Carrying Value			Fair Value
March 31, 2012	Net change	March 31, 2011	March 31, 2012
(Thousands of yen)			
¥3,206,608	¥(783,029)	¥3,989,638	¥2,544,295

Carrying Value			Fair Value
March 31, 2012	Net change	March 31, 2011	March 31, 2012
(Thousands of U.S. dollars)			
$39,105	$(9,549)	$48,654	$31,028

The components of net change in carrying value include decreases mainly due to transfer to real estate held for sale in the amount of ¥719,303 thousand ($8,772 thousand).

The carrying value in the consolidated balance sheet and corresponding fair value of those properties for the year ended March 31, 2011 were as follows:

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

The components of net change in carrying value include increases mainly due to acquisitions in the amount of ¥531,302 thousand, and decreases mainly due to depreciation in the amount of ¥1,007,611 thousand.

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.

19. Cash Flow Information

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

	March 31, 2012	March 31, 2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Cash and time deposits	¥5,391,474	¥5,007,068	$65,750
Short-term investments	–	1,000,000	–
Time deposits with maturities of more than three months	(6,807)	(7,753)	(83)
	¥5,384,667	¥5,999,315	$65,667

20. Segment Information

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.

The reportable segments information of the Company and its consolidated subsidiaries for the years ended March 31, 2012 and 2011 are summarized as follows:

	Year ended March 31, 2012						
	Reportable segments						
	Aviation-related business	Media & life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
	(Thousands of yen)						
Sales, profits and assets by reportable segments:							
Sales to outside parties	¥20,241,549	¥10,282,926	¥41,772,318	¥16,786,155	¥89,082,950	¥ –	¥89,082,950
Inter-segment sales and transfers	19,040	197,961	26,254	277,657	520,914	(520,914)	–
Total	20,260,590	10,480,888	41,798,573	17,063,813	89,603,865	(520,914)	89,082,950
Segment profits	¥ 775,905	¥ 1,178,373	¥ 791,991	¥ 898,940	¥ 3,645,210	¥(2,024,196)	¥ 1,621,014
Segment assets	¥ 7,314,064	¥ 7,268,621	¥10,473,429	¥ 6,283,795	¥31,339,909	¥ 2,363,019	¥33,702,929
Other items:							
Depreciation and amortization	¥ 69,745	¥ 67,482	¥ 319,421	¥ 7,297	¥ 463,946	¥ 264,394	¥ 728,340
Investment in affiliates accounted for by the equity method	¥ 75,337	¥ 284,538	¥ –	¥ –	¥ 359,875	¥ 897,504	¥ 1,257,380
Capital expenditures	¥ 33,183	¥ 2,092	¥ 248,741	¥ 633,884	¥ 917,901	¥ 46,668	¥ 964,569

20. Segment Information (continued)

	Year ended March 31, 2012						
	Reportable segments						
	Aviation-related business	Media & life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
	(Thousands of U.S. dollars)						
Sales, profits and assets by reportable segments:							
Sales to outside parties	$246,848	$125,402	$509,419	$204,709	$1,086,377	$ –	$1,086,377
Inter-segment sales and transfers	232	2,414	320	3,386	6,353	(6,353)	–
Total	247,080	127,816	509,739	208,095	1,092,730	(6,353)	1,086,377
Segment profits	$ 9,462	$ 14,370	$ 9,658	$ 10,963	$ 44,454	$(24,685)	$ 19,768
Segment assets	$ 89,196	$ 88,642	$127,725	$ 76,632	$ 382,194	$ 28,817	$ 411,011
Other items:							
Depreciation and amortization	$ 851	$ 823	$ 3,895	$ 89	$ 5,658	$ 3,224	$ 8,882
Investment in affiliates accounted for by the equity method	$ 919	$ 3,470	$ –	$ –	$ 4,389	$ 10,945	$ 15,334
Capital expenditures	$ 405	$ 26	$ 3,033	$ 7,730	$ 11,194	$ 569	$ 11,763

Adjustments and eliminations for segment profits and losses include minus ¥5,025 thousand ($61 thousand) of elimination of inter-segment profit and minus ¥2,019,171 thousand ($24,624 thousand) of corporate general administration expenses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥97,827 thousand ($1,193 thousand) of elimination of accounts inter-segment receivable and ¥2,460,846 thousand ($30,010 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.

Segment profits are adjusted with operating income reported in the consolidated statements of income.

	Year ended March 31, 2011						
	Reportable segments						
	Aviation-related business	Media & life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
	(Thousands of yen)						
Sales, profits 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

20. Segment Information (continued)

Adjustments and eliminations for segment profits and losses include ¥193 thousand of elimination of inter-segment profit and minus ¥2,157,266 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 of elimination of accounts inter-segment receivable and ¥4,812,310 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.

Segment profits are adjusted with operating income reported in the consolidated statements of income.

For the years ended March 31, 2012 and 2011, 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.

For the year ended March 31, 2012, property and equipment in Japan represent more than 90% of consolidated property and equipment. As a result, property and equipment by geographical countries or areas of March 31, 2012 is not required to be disclosed.

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

	March 31,
	2011
	(Thousands of yen)
Japan	¥5,187,391
North America	1,069,657
Other overseas countries	79,992
	¥6,337,041

Impairment loss on fixed assets by reportable segments for the years ended March 31, 2012 and 2011 is summarized as follows:

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Aviation-related business	¥ –	¥ –	$ –
Media & life service business	–	169,913	–
Retail business	58,808	131,627	717
Food & beverage business	–	–	–
Reportable segments total	58,808	301,540	717
Adjustments and eliminations	–	4,620	–
	¥58,808	¥306,161	$717

20. Segment Information (continued)

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

	Year ended March 31, 2011						
	Reportable segments						
	Aviation-related business	Media & life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
	(Thousands of yen)						
Amortization	¥ –	¥ –	¥182,832	¥ –	¥182,832	¥ –	¥182,832
Balance as of March 31	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –

No amortization and balance of goodwill were recorded for the year ended March 31, 2012.

21. Related Party Transactions

The significant transactions between the Company and Japan Airline Co., Ltd., for the years ended March 31, 2012 and 2011 are summarized as follows:

With Japan Airlines Co., Ltd.:

	Year ended March 31,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sales of flight equipment	¥6,924,543	¥9,388,896	$84,446
Purchases of merchandise	651,852	2,175,285	7,949

	March 31,		
	2012	2011	2012
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Accounts receivable	¥933,277	¥1,157,551	$11,381
Advance payment	15,566	5,296	190
Accounts payable	68,340	124,659	833

21. Related Party Transactions (continued)

The significant transactions between certain consolidated subsidiaries of the Company and Japan Airlines Co., Ltd. for the years ended March 31, 2012 and 2011 are summarized as follows:

With Japan Airlines Co., Ltd.:

	Year ended March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sales of flight equipment and revenue from leases of aircraft	¥364,784	¥676,980	$4,449

	March 31,		
	2012	**2011**	**2012**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Accounts receivable	¥70,026	¥33,119	$854