

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, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for the three years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JALUX Inc. and consolidated subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the three 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, 2004 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 2.

Shin Nihon & Co.

June 23, 2004

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2004	2003	2004
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Assets			
Current assets:			
Cash and time deposits	¥ 4,130,377	¥ 3,546,966	\$ 39,337
Notes and accounts receivable <i>(Notes 14 and 15)</i> :			
Trade	8,099,154	7,867,746	77,135
Parent	3,925,984	3,100,555	37,390
Unconsolidated subsidiary and affiliates	45,942	64,173	438
Other	1,123,597	1,058,228	10,701
Allowance for doubtful accounts	(34,876)	(26,792)	(332)
Inventories	5,115,801	5,181,334	48,722
Deferred income taxes <i>(Note 8)</i>	412,545	288,838	3,929
Other	1,249,858	702,951	11,903
Total current assets	<u>24,068,386</u>	<u>21,784,003</u>	<u>229,223</u>
Investments and advances:			
Unconsolidated subsidiary and affiliates	1,860,858	1,798,997	17,722
Other <i>(Note 4)</i>	255,083	277,765	2,429
Total investments and advances	<u>2,115,942</u>	<u>2,076,762</u>	<u>20,152</u>
Property and equipment <i>(Note 5)</i> :			
Land	445,033	562,144	4,238
Buildings and structures	4,385,208	4,864,499	41,764
Machinery and vehicles	556,730	650,243	5,302
Flight equipment	3,015,537	3,852,024	28,719
Construction in process	25,363	32,603	242
Other	625,367	607,854	5,956
	<u>9,053,242</u>	<u>10,569,369</u>	<u>86,221</u>
Accumulated depreciation	(4,404,618)	(6,001,066)	(41,949)
Property and equipment, net	<u>4,648,623</u>	<u>4,568,302</u>	<u>44,273</u>
Intangible assets:			
Software	463,680	437,259	4,416
Other	76,905	44,765	732
Total intangible assets	<u>540,586</u>	<u>482,024</u>	<u>5,148</u>
Long-term loans	1,395,753	1,091,441	13,293
Deposits for business space <i>(Note 15)</i>	2,357,550	2,028,640	22,453
Deferred income taxes <i>(Note 8)</i>	317,633	212,902	3,025
Other assets, net	262,279	413,021	2,498
	<u>¥35,706,754</u>	<u>¥32,657,099</u>	<u>\$340,064</u>

	March 31,		
	2004	2003	2004
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Liabilities and stockholders' equity			
Current liabilities:			
Short-term borrowings <i>(Notes 5 and 15)</i>	¥ 1,986,723	¥ 1,923,519	\$ 18,921
Current portion of long-term debt <i>(Note 5)</i>	1,282,069	1,324,328	12,210
Notes and accounts payable <i>(Notes 14 and 15)</i> :			
Trade	11,555,793	9,257,556	110,055
Parent	224,500	163,581	2,138
Unconsolidated subsidiary and affiliates	532,121	583,123	5,068
Accrued expenses	2,407,207	1,702,868	22,926
Accrued income taxes <i>(Note 8)</i>	647,475	604,863	6,166
Other	1,707,154	2,211,999	16,259
Total current liabilities	<u>20,343,046</u>	<u>17,771,841</u>	<u>193,743</u>
Long-term debt <i>(Notes 5 and 14)</i>	3,881,290	4,698,458	36,965
Accrued pension and severance costs <i>(Note 6)</i>	212,202	109,095	2,021
Directors' and statutory auditors' retirement benefits	139,452	136,306	1,328
Other	27,433	102,656	261
Minority interests	626,225	557,391	5,964
Commitments and contingent liabilities <i>(Notes 10, 11 and 14)</i>			
Stockholders' equity <i>(Note 9)</i> :			
Common stock, without par value:			
Authorized: 20,000,000 shares			
Issued: 12,775,000 shares in 2004 and 12,250,000 shares in 2003	2,558,550	2,558,550	24,367
Capital surplus	711,260	661,250	6,774
Retained earnings	7,448,233	6,148,284	70,936
Net unrealized gain (loss) on other securities, net of taxes <i>(Note 4)</i>	8,053	(11,034)	77
Translation adjustments	(242,130)	(70,852)	(2,306)
Common stock in treasury: 13,209 shares in 2004 and 10,855 shares in 2003	(6,863)	(4,847)	(65)
Total stockholders' equity	<u>10,477,102</u>	<u>9,281,349</u>	<u>99,782</u>
	<u>¥35,706,754</u>	<u>¥32,657,099</u>	<u>\$340,064</u>

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended March 31,			
	2004	2003	2002	2004
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Operating revenues <i>(Notes 13 and 15)</i>	¥86,089,991	¥86,867,003	¥90,801,521	\$819,905
Operating expenses <i>(Notes 13 and 15)</i> :				
Cost of sales	65,845,097	67,402,869	72,445,963	627,096
Selling, general and administrative expenses	18,163,531	17,627,788	16,960,943	172,986
	<u>84,008,629</u>	<u>85,030,657</u>	<u>89,406,907</u>	<u>800,082</u>
Operating income	<u>2,081,362</u>	<u>1,836,346</u>	<u>1,394,614</u>	<u>19,822</u>
Non-operating income (expenses):				
Interest income	40,830	14,233	19,380	389
Interest expense	(75,929)	(94,175)	(107,504)	(723)
Equity in earnings of affiliates	84,847	85,374	76,215	808
Other, net <i>(Note 7)</i>	101,954	210,478	149,355	971
	<u>151,702</u>	<u>215,911</u>	<u>137,447</u>	<u>1,445</u>
Income before income taxes and minority interests	<u>2,233,064</u>	<u>2,052,257</u>	<u>1,532,061</u>	<u>21,267</u>
Income taxes <i>(Note 8)</i> :				
Current	1,207,818	1,048,840	878,648	11,503
Deferred	(166,573)	(159,619)	(124,280)	(1,586)
	<u>1,041,244</u>	<u>889,221</u>	<u>754,368</u>	<u>9,917</u>
Minority interests	<u>(106,409)</u>	<u>(130,036)</u>	<u>(90,909)</u>	<u>(1,013)</u>
Net income	<u>¥ 1,085,411</u>	<u>¥ 1,032,999</u>	<u>¥ 686,783</u>	<u>\$ 10,337</u>

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Stockholders' Equity

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on other securities, net of taxes (Note 4)	Translation adjustments	Common stock in treasury	Total
	<i>(Thousands of yen)</i>							
Balance at March 31, 2001	11,500,000	¥2,398,800	¥398,000	¥4,792,435	¥ 13,290	¥(170,234)	¥ -	¥ 7,432,291
Issuance of common stock	750,000	159,750	263,250					423,000
Net income for the year ended March 31, 2002				686,783				686,783
Cash dividends				(161,000)				(161,000)
Bonuses to directors and statutory auditors				(8,950)				(8,950)
Net change during the year					(9,657)	256,840	(535)	246,647
Balance at March 31, 2002	12,250,000	2,558,550	661,250	5,309,269	3,632	86,606	(535)	8,618,773
Net income for the year ended March 31, 2003				1,032,999				1,032,999
Cash dividends				(183,735)				(183,735)
Bonuses to directors and statutory auditors				(10,250)				(10,250)
Net change during the year					(14,667)	(157,458)	(4,312)	(176,438)
Balance at March 31, 2003	12,250,000	2,558,550	661,250	6,148,284	(11,034)	(70,852)	(4,847)	9,281,349
Net income for the year ended March 31, 2004				1,085,411				1,085,411
Cash dividends				(195,960)				(195,960)
Bonuses to directors and statutory auditors				(11,690)				(11,690)
Increase resulting from merger	525,000		50,000	422,186				472,186
Net change during the year			10		19,088	(171,277)	(2,016)	(154,195)
Balance at March 31, 2004	<u>12,775,000</u>	<u>¥2,558,550</u>	<u>¥711,260</u>	<u>¥7,448,233</u>	<u>¥ 8,053</u>	<u>¥(242,130)</u>	<u>¥(6,863)</u>	<u>¥10,477,102</u>

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on other securities, net of taxes	Translation adjustments	Common stock in treasury	Total
	<i>(Thousands of U.S. dollars) (Note 2)</i>							
Balance at March 31, 2003	12,250,000	\$24,367	\$6,298	\$58,555	\$(105)	\$ (675)	\$(46)	\$88,394
Net income for the year ended March 31, 2004				10,337				10,337
Cash dividends				(1,866)				(1,866)
Bonuses to directors and statutory auditors				(111)				(111)
Increase resulting from merger	525,000		476	4,021				4,497
Net change during the year			0		182	(1,631)	(19)	(1,469)
Balance at March 31, 2004	<u>12,775,000</u>	<u>\$24,367</u>	<u>\$6,774</u>	<u>\$70,936</u>	<u>\$ 77</u>	<u>\$(2,306)</u>	<u>\$(65)</u>	<u>\$99,782</u>

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,			2004 (Thousands of U.S. dollars) (Note 2)
	2004	2003	2002	
	<i>(Thousands of yen)</i>			
Operating activities				
Income before income taxes and minority interests	¥ 2,233,064	¥ 2,052,257	¥ 1,532,061	\$ 21,267
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	637,524	662,914	665,554	6,072
Provision for allowance for doubtful accounts	55,672	(28,663)	(43,293)	530
Net provision for accrued pension and severance costs	103,106	92,867	13,916	982
Decrease in prepaid pension costs	—	—	34,470	—
Interest and dividend income	(96,150)	(58,411)	(52,722)	(916)
Interest expense	75,929	94,175	107,504	723
Exchange loss (gain), net	777	(2,575)	(601)	7
Equity in earnings of affiliates	(84,847)	(85,374)	(76,215)	(808)
(Gain) loss on sales of, and loss on disposal of property and equipment	(262,686)	(177,219)	46,008	(2,502)
Gain on sales of investments in securities	(123,114)	(1,446)	(2,773)	(1,173)
Loss on revaluation of investments in affiliates	—	—	19,999	—
Loss on revaluation of investments in securities	7,800	12,750	1,659	74
(Increase) decrease in notes and accounts receivable	(702,146)	(1,063,729)	977,838	(6,687)
Decrease (increase) in inventories	197,212	383,445	(65,385)	1,878
Increase (decrease) in notes and accounts payable	1,074,175	(893,968)	(795,461)	10,230
(Decrease) increase in bad debts on receivables	(60,172)	59,874	14,618	(573)
Payments of bonuses to directors and statutory auditors	(12,950)	(11,550)	(10,250)	(123)
Other, net	(438,441)	124,867	901,535	(4,176)
Subtotal	2,604,753	1,160,213	3,268,463	24,807
Interest and dividends received	107,875	64,691	59,183	1,027
Interest paid	(80,123)	(90,570)	(111,105)	(763)
Income taxes paid	(1,157,629)	(872,200)	(871,181)	(11,025)
Net cash provided by operating activities	1,474,876	262,133	2,345,359	14,046
Investing activities				
Purchases of property and equipment	(836,715)	(1,459,471)	(363,904)	(7,969)
Proceeds from sales of property and equipment	494,320	197,040	9,998	4,708
Purchases of intangible assets	(218,370)	(215,521)	(197,810)	(2,080)
Purchases of investments in securities	—	(51,116)	(403)	—
Proceeds from sales of investments in securities	202,457	61,256	11,873	1,928
Purchases of investments in capital	(50,000)	—	—	(476)
Long-term loans receivable made	(2,800)	(714,456)	(35,428)	(27)
Collection of long-term loans	128,502	716,141	8,633	1,224
Purchases of time deposits	(10,002)	(14,711)	—	(95)
Proceeds from maturity of time deposits	10,000	160,000	—	95
Increase in deposits for business space	(93,103)	(78,354)	(274,442)	(887)
Decrease in deposits for business space	44,387	285,443	616,766	423
Other, net	120,050	(32,809)	15,594	1,143
Net cash used in investing activities	(211,273)	(1,146,559)	(209,122)	(2,012)
Financing activities				
Increase (decrease) in short-term borrowings	19,177	(49,978)	(1,210,000)	183
Proceeds from long-term loans	2,484,280	1,439,650	1,100,000	23,660
Repayment of long-term loans	(2,817,850)	(725,930)	(1,319,195)	(26,837)
Redemption of bonds	(350,000)	—	—	(3,333)
Dividends paid to stockholders	(195,960)	(183,735)	(161,000)	(1,866)
Dividends paid to minority interests	(36,000)	(36,000)	(24,000)	(343)
Proceeds from issuance of common stock	—	—	423,000	—
Other, net	(3,189)	(1,753)	(5,281)	(30)
Net cash (used in) provided by financing activities	(899,542)	442,252	(1,196,476)	(8,567)
Effect of exchange rate changes on cash and cash equivalents	5,753	(1,991)	55,555	55
Net increase (decrease) in cash and cash equivalents	369,814	(444,165)	995,315	3,522
Cash and cash equivalents at beginning of the year	3,523,755	3,967,921	2,972,605	33,560
Increase in cash and cash equivalents resulting from merger	212,651	—	—	2,025
Cash and cash equivalents at end of the year	¥ 4,106,222	¥ 3,523,755	¥ 3,967,921	\$ 39,107

The accompanying notes are an integral part of these statements.