

### 3. Cash Flow Information

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

	<b>March 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2004</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥4,130,377	¥3,546,966	\$39,337
Time deposits with maturities of more than three months	(23,323)	(19,711)	(222)
Credit balances of current accounts included in short-term bank loans	(1,019)	(3,498)	(10)
Current assets – other (Deposits Paid)	186	–	2
	<u>¥4,106,222</u>	<u>¥3,523,755</u>	<u>\$39,107</u>

The following is a summary of the assets and liabilities which the Company taken over as a result of the merger with JAS TRADING CO, LTD. (“JTR”) for the year ended March 31, 2004:

	<b>March 31, 2004</b>
	<i>(Thousands of yen)</i>
Current assets	¥1,540,835
Noncurrent assets	1,006,249
Total assets	<u>2,547,085</u>
Current liabilities	2,023,379
Noncurrent liabilities	51,518
Total liabilities	<u>¥2,074,898</u>

  

	<b>March 31, 2004</b>
	<i>(Thousands of U.S. dollars)</i>
Current assets	\$14,675
Noncurrent assets	9,583
Total assets	<u>24,258</u>
Current liabilities	19,270
Noncurrent liabilities	491
Total liabilities	<u>\$19,761</u>

As a result of the merger with JTR, capital surplus at March 31, 2004 increased by ¥50,000 thousand (\$476 thousand).

#### 4. Fair Value of Securities

The Company and its consolidated subsidiaries did not possess any trading securities or held-to-maturity securities at March 31, 2004 and 2003. Securities classified as other securities have been included in “investments and advances – other” in the accompanying consolidated balance sheets at March 31, 2004 and 2003.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2004 and 2003 are summarized as follows:

	<b>March 31, 2004</b>		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<i>(Thousands of yen)</i>		
Unrealized gain:			
Stocks	¥13,512	¥39,419	¥25,907
Bonds:			
Government bonds	7,162	8,859	1,697
Other	3,791	4,037	246
	<u>24,466</u>	<u>52,317</u>	<u>27,851</u>
Unrealized loss:			
Stocks	16,384	15,240	(1,143)
	<u>16,384</u>	<u>15,240</u>	<u>(1,143)</u>
Total	<u>¥40,850</u>	<u>¥67,558</u>	<u>¥26,707</u>

	<b>March 31, 2004</b>		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Unrealized gain:			
Stocks	\$129	\$375	\$247
Bonds:			
Government bonds	68	84	16
Other	36	38	2
	<u>233</u>	<u>498</u>	<u>265</u>
Unrealized loss:			
Stocks	156	145	(11)
	<u>156</u>	<u>145</u>	<u>(11)</u>
Total	<u>\$389</u>	<u>\$643</u>	<u>\$254</u>

#### 4. Fair Value of Securities (continued)

	<b>March 31, 2003</b>		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<i>(Thousands of yen)</i>		
Unrealized gain:			
Stocks	¥13,263	¥29,630	¥ 16,367
Bonds:			
Government bonds	7,162	9,298	2,136
	<u>20,425</u>	<u>38,928</u>	<u>18,503</u>
Unrealized loss:			
Stocks	24,434	11,261	(13,173)
Other	3,788	2,178	(1,610)
	<u>28,223</u>	<u>13,439</u>	<u>(14,784)</u>
Total	<u>¥48,648</u>	<u>¥52,368</u>	<u>¥ 3,719</u>

Non-marketable securities classified as other securities at March 31, 2004 and 2003 amounted to ¥137,475 thousand (\$1,309 thousand) and ¥225,346 thousand, respectively.

Proceeds from sales of securities classified as other securities amounted to ¥202,457 thousand (\$1,928 thousand), ¥61,256 thousand and ¥11,873 thousand with an aggregate gain of ¥123,114 thousand (\$1,173 thousand), ¥1,446 thousand and ¥2,773 thousand and an aggregate loss of nil for the years ended March 31, 2004, 2003 and 2002, respectively.

The redemption schedule for securities with maturity dates which were classified as other securities as of March 31, 2004 and 2003 are summarized as follows:

	<b>March 31, 2004</b>	
	Due in one year or less	Due after one year through five years
	<i>(Thousands of yen)</i>	
Bonds:		
Government bonds	¥ –	¥ 7,500
Other:		
Investment trusts	–	4,037
Total	<u>¥ –</u>	<u>¥11,537</u>

	<b>March 31, 2004</b>	
	Due in one year or less	Due after one year through five years
	<i>(Thousands of U.S. dollars)</i>	
Bonds:		
Government bonds	\$ –	\$ 71
Other:		
Investment trusts	–	38
Total	<u>\$ –</u>	<u>\$110</u>

#### 4. Fair Value of Securities (continued)

	<b>March 31, 2003</b>		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
	<i>(Thousands of yen)</i>		
Bonds:			
Government bonds	¥ –	¥ 7,500	¥ –
Corporate bonds	–	3,442	–
Other:			
Investment trusts	–	–	2,178
<b>Total</b>	<b>¥ –</b>	<b>¥10,942</b>	<b>¥2,178</b>

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

The weighted average interest rates on short-term borrowings outstanding at March 31, 2004 and 2003 were 0.84% and 0.61%, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	<b>March 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2004</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Japanese yen bonds, due 2004, at 1.70%	¥ –	¥ 350,000	\$ –
Loans with collateral, due 2003 to 2010, at rates ranging from 1.25% to 7.91%	2,121,388	2,563,265	20,204
Loans without collateral, due 2003 to 2013, at rates ranging from 1.0% to 2.44%	2,778,500	2,858,500	26,462
Other	263,472	251,021	2,509
	<u>5,163,360</u>	<u>6,022,786</u>	<u>49,175</u>
Less current portion of long-term debt	<u>(1,282,069)</u>	<u>(1,324,328)</u>	<u>(12,210)</u>
	<u>¥ 3,881,290</u>	<u>¥ 4,698,458</u>	<u>\$ 36,965</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2004 are summarized as follows:

<u>Year ending March 31,</u>	<u><i>(Thousands of yen)</i></u>	<u><i>(Thousands of U.S. dollars)</i></u>
2005	¥1,282,069	\$12,210
2006	850,606	8,101
2007	1,419,269	13,517
2008	604,404	5,756
2009 and thereafter	1,007,011	9,591
	<u>¥5,163,360</u>	<u>\$49,175</u>

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

Assets pledged as collateral for long-term debt at March 31, 2004 and 2003 are summarized as follows:

	March 31,		
	2004	2003	2004
	(Thousands of yen)		(Thousands of U.S. dollars)
Land	¥ 78,656	¥ 174,245	\$ 749
Buildings and structures, net of accumulated depreciation	1,370,575	1,877,419	13,053
Flight equipment, net of accumulated depreciation	1,221,368	879,412	11,632
	<u>¥2,670,600</u>	<u>¥2,931,077</u>	<u>\$25,434</u>

## 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 the consolidated domestic subsidiaries have principally non-contributory defined pension plans. Certain consolidated foreign subsidiaries have defined contribution pension plans.

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

	March 31,		
	2004	2003	2004
	(Thousands of yen)		(Thousands of U.S. dollars)
Projected benefit obligation	¥(2,553,307)	¥(2,327,321)	\$(24,317)
Plan assets	2,051,502	1,904,947	19,538
Accrued pension and severance costs	212,202	109,095	2,021
Net unrecognized amount	<u>¥ (289,602)</u>	<u>¥ (313,277)</u>	<u>\$ (2,758)</u>

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

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

The net unrecognized amount was as follows:

	March 31,		
	2004	2003	2004
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized benefit obligation at transition	¥ (70,477)	¥(140,955)	\$ (671)
Actuarial assumption adjustment	(219,125)	(172,322)	(2,087)
Net unrecognized amount	<u>¥(289,602)</u>	<u>¥(313,277)</u>	<u>\$(2,758)</u>

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

	Year ended March 31,			
	2004	2003	2002	2004
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Service cost	¥133,086	¥124,604	¥125,277	\$1,267
Interest cost on projected benefit obligation	68,545	68,142	69,051	653
Expected return on plan assets	(47,166)	(50,227)	(51,051)	(449)
Amortization of unrecognized benefit obligation at transition	70,477	70,477	70,477	671
Amortization of actuarial assumption adjustment	40,010	13,804	6,962	381
Net periodic pension and severance costs	<u>¥264,953</u>	<u>¥226,801</u>	<u>¥220,717</u>	<u>\$2,523</u>

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

Special termination benefits paid but not included in determining the projected benefit obligation are charged to income when paid. The amounts charged to income amounted to ¥77,554 thousand for the year ended March 31, 2003.

The assumptions used were as follows:

	2004	2003
Discount rate	2.5%	3.0%
Expected rate of return on plan assets	2.5%	2.5%