

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, 2015, 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, 2015, 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 22, 2015
Tokyo, Japan

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet

| | March 31, | | |
|--|---------------------------|--------------------|---|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i> |
| Assets | | | |
| Current assets: | | | |
| Cash and time deposits <i>(Notes 17 and 21)</i> | ¥ 5,459,997 | ¥ 6,361,146 | \$ 45,500 |
| Trade notes and accounts receivable <i>(Notes 17 and 23)</i> | 12,650,371 | 7,705,147 | 105,420 |
| Inventories <i>(Note 4)</i> | 9,498,822 | 6,718,044 | 79,157 |
| Deferred income taxes <i>(Note 13)</i> | 311,184 | 320,673 | 2,593 |
| Other | 2,668,166 | 3,071,811 | 22,235 |
| Allowance for doubtful accounts | (33,029) | (5,688) | (275) |
| Total current assets | <u>30,555,513</u> | <u>24,171,135</u> | <u>254,629</u> |
| Property and equipment <i>(Notes 5, 12, 15 and 20)</i> : | | | |
| Buildings and structures | 1,755,488 | 2,342,743 | 14,629 |
| Machinery and vehicles | 93,111 | 117,832 | 776 |
| Flight equipment | 59,755 | 102,277 | 498 |
| Land | 1,239,209 | 1,789,273 | 10,327 |
| Construction in process | 8,406 | – | 70 |
| Other | 309,064 | 351,236 | 2,576 |
| Property and equipment, net | <u>3,465,037</u> | <u>4,703,362</u> | <u>28,875</u> |
| Intangible assets: | | | |
| Software <i>(Note 12)</i> | 309,327 | 273,312 | 2,578 |
| Goodwill <i>(Note 22)</i> | 170,690 | 206,543 | 1,422 |
| Other | 25,393 | 28,015 | 212 |
| Total intangible assets | <u>505,411</u> | <u>507,871</u> | <u>4,212</u> |
| Investments and other assets: | | | |
| Investment securities <i>(Notes 6, 17 and 18)</i> | 1,751,076 | 1,537,056 | 14,592 |
| Long-term loans receivable | 66,658 | 75,001 | 555 |
| Deposits for business space <i>(Note 17)</i> | 1,816,519 | 1,784,109 | 15,138 |
| Deferred income taxes <i>(Note 13)</i> | 32,981 | 287,972 | 275 |
| Asset for retirement benefits <i>(Note 8)</i> | 184,237 | – | 1,535 |
| Other | 168,389 | 102,616 | 1,403 |
| Allowance for doubtful accounts | (69,274) | (13,684) | (577) |
| Total investment and other assets | <u>3,950,587</u> | <u>3,773,072</u> | <u>32,922</u> |
| Deferred charges: | | | |
| Business commencement expenses | 32,445 | 48,718 | 270 |
| Total deferred charges | <u>32,445</u> | <u>48,718</u> | <u>270</u> |
| Total assets | <u>¥38,508,995</u> | <u>¥33,204,160</u> | <u>\$320,908</u> |

| | March 31, | | |
|---|---------------------------|--------------------|---|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i> |
| Liabilities and net assets | | | |
| Current liabilities: | | | |
| Trade notes and accounts payable <i>(Notes 17 and 23)</i> : | ¥10,300,483 | ¥ 7,025,906 | \$ 85,837 |
| Short-term borrowings and Current portion of long-term debt <i>(Notes 7 and 17)</i> | 2,151,493 | 1,893,790 | 17,929 |
| Accrued income taxes <i>(Note 13)</i> | 565,278 | 556,925 | 4,711 |
| Accrued expenses <i>(Note 17)</i> | 2,509,260 | 2,047,850 | 20,911 |
| Other | 1,965,645 | 2,521,353 | 16,380 |
| Total current liabilities | <u>17,492,162</u> | <u>14,045,827</u> | <u>145,768</u> |
| Long-term liabilities: | | | |
| Long-term debt <i>(Notes 7 and 17)</i> | 2,676,428 | 2,082,326 | 22,304 |
| Liability for retirement benefits <i>(Note 8)</i> | 61,516 | 553,275 | 513 |
| Deferred income taxes <i>(Note 13)</i> | 162,186 | 26,528 | 1,352 |
| Other | 510,146 | 647,852 | 4,251 |
| Total long-term liabilities | <u>3,410,278</u> | <u>3,309,983</u> | <u>28,419</u> |
| Commitments and contingent liabilities <i>(Note 7)</i> | | | |
| Net assets <i>(Note 9)</i> : | | | |
| Shareholders' equity: | | | |
| Common stock | 2,558,550 | 2,558,550 | 21,321 |
| Capital surplus | 711,250 | 711,250 | 5,927 |
| Retained earnings | 13,366,520 | 12,176,600 | 111,388 |
| Common stock in treasury | (139,647) | (143,726) | (1,164) |
| Total shareholders' equity | <u>16,496,673</u> | <u>15,302,673</u> | <u>137,472</u> |
| Accumulated other comprehensive income: | | | |
| Net unrealized gain (loss) on other securities, net of taxes <i>(Note 18)</i> | 10,614 | (493) | 88 |
| Net unrealized gain on hedging instruments, net of taxes <i>(Note 19)</i> | 78,096 | 33,404 | 651 |
| Translation adjustments | (38,162) | (272,329) | (318) |
| Retirement benefits liability adjustments <i>(Note 8)</i> | 25,345 | (70,279) | 211 |
| Total accumulated other comprehensive income | <u>75,893</u> | <u>(309,697)</u> | <u>632</u> |
| Subscription rights to shares <i>(Note 10)</i> | 4,231 | 7,724 | 35 |
| Minority interests | 1,029,756 | 847,649 | 8,581 |
| Total net assets | <u>17,606,555</u> | <u>15,848,349</u> | <u>146,721</u> |
| Total liabilities and net assets | <u>¥38,508,995</u> | <u>¥33,204,160</u> | <u>\$320,908</u> |

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

| | Year ended March 31, | | |
|---|---------------------------|-------------------|---|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i> |
| Operating revenues <i>(Notes 22 and 23)</i> | ¥112,717,516 | ¥99,837,354 | \$939,313 |
| Operating expenses <i>(Notes 22 and 23)</i> : | | | |
| Cost of sales | 92,421,290 | 80,297,422 | 770,177 |
| Selling, general and administrative expenses | 17,870,074 | 17,832,961 | 148,917 |
| | <u>110,291,365</u> | <u>98,130,384</u> | <u>919,095</u> |
| Operating income | <u>2,426,151</u> | <u>1,706,970</u> | <u>20,218</u> |
| Non-operating income (expenses): | | | |
| Interest income | 7,821 | 12,811 | 65 |
| Interest expense | (42,153) | (46,941) | (351) |
| Equity in earnings of affiliates | 103,480 | 49,291 | 862 |
| Other, net <i>(Note 11)</i> | 86,592 | 47,447 | 722 |
| | <u>155,741</u> | <u>62,608</u> | <u>1,298</u> |
| Income before income taxes and minority interests | <u>2,581,892</u> | <u>1,769,579</u> | <u>21,516</u> |
| Income taxes <i>(Note 13)</i> : | | | |
| Current | 958,363 | 776,810 | 7,986 |
| Deferred | 182,649 | (3,947) | 1,522 |
| | <u>1,141,012</u> | <u>772,862</u> | <u>9,508</u> |
| Net income before minority interests | <u>1,440,879</u> | <u>996,716</u> | <u>12,007</u> |
| Minority gain | <u>292,551</u> | <u>29,407</u> | <u>2,438</u> |
| Net income | <u>¥ 1,148,328</u> | <u>¥ 967,308</u> | <u>\$ 9,569</u> |

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

| | March 31, | | |
|---|---------------------------|-------------|---|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i> |
| Income before minority interests | ¥1,440,879 | ¥ 996,716 | \$12,007 |
| Other comprehensive income: | | | |
| Net unrealized gain on other securities, net of taxes | 7,181 | 3,691 | 60 |
| Net unrealized gain (loss) on hedging instruments, net of taxes | 44,691 | (20,053) | 372 |
| Translation adjustments | 215,077 | 424,652 | 1,792 |
| Retirement benefits liability adjustment, net of tax | 95,625 | – | 797 |
| Share of other comprehensive income of companies accounted for by the equity method | 19,636 | 22,239 | 164 |
| Total other comprehensive income <i>(Note 14)</i> | 382,212 | 430,530 | 3,185 |
| Comprehensive income | ¥1,823,091 | ¥1,427,246 | \$15,192 |
| Comprehensive income attributable to: | | | |
| Stockholders of JALUX Inc. | ¥1,533,919 | ¥1,393,184 | \$12,783 |
| Minority interests | ¥ 289,172 | ¥ 34,061 | \$ 2,410 |

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 gain (loss) on other securities, net of taxes (Note 18) | Net unrealized gain on hedging instruments, net of taxes (Note 19) | Translation adjustments | Retirement benefits liability adjustments (Note 8) | Subscription rights to shares (Note 10) | Minority interests | Total net assets |
|--|----------------------------------|--------------|-----------------|-------------------|--------------------------|--|--|-------------------------|--|---|--------------------|------------------|
| | <i>(Thousands of yen)</i> | | | | | | | | | | | |
| Balance at March 31, 2013 | 12,775,000 | ¥2,558,550 | ¥711,250 | ¥11,400,172 | ¥(147,089) | ¥ (1,870) | ¥ 53,458 | ¥(716,881) | ¥ - | ¥ 9,882 | ¥ 955,271 | ¥14,822,743 |
| Cash dividends (¥15 per share) | | | | (189,591) | | | | | | | | (189,591) |
| Net income for the year ended March 31, 2014 | | | | 967,308 | | | | | | | | 967,308 |
| Purchases of common stock in treasury | | | | | (89) | | | | | | | (89) |
| Disposal of common stock in treasury | | | | (1,290) | 3,451 | | | | | | | 2,161 |
| Other | | | | | | 1,376 | (20,053) | 444,552 | (70,279) | (2,158) | (107,621) | 245,816 |
| Balance at March 31, 2014 | 12,775,000 | 2,558,550 | 711,250 | 12,176,600 | (143,726) | (493) | 33,404 | (272,329) | (70,279) | 7,724 | 847,649 | 15,848,349 |
| Cumulative effect of change in accounting principle (Note 2) | | | | 295,028 | | | | | | | | 295,028 |
| Restated balance at March 31, 2014 | 12,775,000 | 2,558,550 | 711,250 | 12,471,628 | (143,726) | (493) | 33,404 | (272,329) | (70,279) | 7,724 | 847,649 | 16,143,377 |
| Cash dividends (¥20 per share) | | | | (252,852) | | | | | | | | (252,852) |
| Net income for the year ended March 31, 2015 | | | | 1,148,328 | | | | | | | | 1,148,328 |
| Disposal of common stock in treasury | | | | (583) | 4,079 | | | | | | | 3,496 |
| Other | | | | | | 11,108 | 44,691 | 234,166 | 95,625 | (3,492) | 182,106 | 564,205 |
| Balance at March 31, 2015 | 12,775,000 | ¥2,558,550 | ¥711,250 | ¥13,366,520 | ¥(139,647) | ¥10,614 | ¥ 78,096 | ¥ (38,162) | ¥ 25,345 | ¥ 4,231 | ¥1,029,756 | ¥17,606,555 |

| | Number of shares of common stock | Common stock | Capital surplus | Retained earnings | Common stock in treasury | Net unrealized gain (loss) on other securities, net of taxes (Note 18) | Net unrealized gain on hedging instruments, net of taxes (Note 19) | Translation adjustments | Retirement benefits liability adjustments (Note 8) | Subscription rights to shares (Note 10) | Minority interests | Total net assets |
|--|---|--------------|-----------------|-------------------|--------------------------|--|--|-------------------------|--|---|--------------------|------------------|
| | <i>(Thousands of U.S. dollars) (Note 3)</i> | | | | | | | | | | | |
| Balance at March 31, 2014 | 12,775,000 | \$21,321 | \$5,927 | \$101,472 | \$(1,198) | \$ (4) | \$ 278 | \$(2,269) | \$(586) | \$ 64 | \$7,064 | \$132,070 |
| Cumulative effect of change in accounting principle (Note 2) | | | | 2,459 | | | | | | | | 2,459 |
| Restated balance at March 31, 2014 | 12,775,000 | 21,321 | 5,927 | 103,930 | (1,198) | (4) | 278 | (2,269) | (586) | 64 | 7,064 | 134,528 |
| Cash dividends (\$0.17 per share) | | | | (2,107) | | | | | | | | (2,107) |
| Net income for the year ended March 31, 2015 | | | | 9,569 | | | | | | | | 9,569 |
| Disposal of common stock in treasury | | | | (5) | 34 | | | | | | | 29 |
| Other | | | | | | 93 | 372 | 1,951 | 797 | (29) | 1,518 | 4,702 |
| Balance at March 31, 2015 | 12,775,000 | \$21,321 | \$5,927 | \$111,388 | \$(1,164) | \$ 88 | \$ 651 | \$(318) | \$211 | \$ 35 | \$8,581 | \$146,721 |

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

| | Year ended March 31, | | |
|--|---------------------------|-------------|---|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i> |
| Operating activities | | | |
| Income before income taxes and minority interests | ¥ 2,581,892 | ¥ 1,769,579 | \$ 21,516 |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | | |
| Depreciation and amortization | 465,857 | 592,219 | 3,882 |
| Increase (decrease) in provision for allowance for doubtful accounts | 82,486 | (35,118) | 687 |
| Increase in asset for retirement benefits | (60,650) | - | (505) |
| Decrease in liability for retirement benefits | (34,473) | (47,183) | (287) |
| Interest and dividend income | (27,024) | (45,792) | (225) |
| Interest expense | 42,153 | 46,941 | 351 |
| Exchange loss, net | (151,731) | (31,765) | (1,264) |
| Equity in earnings of affiliates | (103,480) | (49,291) | (862) |
| Loss on sales of, and loss on disposal of property and equipment | 17,971 | 6,233 | 150 |
| Impairment losses on fixed assets | 28,043 | 40,203 | 234 |
| Gain on sales of investment in a subsidiary | - | (54,215) | - |
| Gain on sales of investments in securities | (18,889) | - | (157) |
| Loss on revaluation of investments in securities | 24,999 | 5,041 | 208 |
| (Increase) decrease in notes and accounts receivable | (4,816,381) | 600,175 | (40,137) |
| Increase in inventories | (1,115,813) | (2,732) | (9,298) |
| Increase in notes and accounts payable | 3,036,153 | 186,499 | 25,301 |
| Decrease (increase) in advance payment | 705,808 | (787,186) | 5,882 |
| (Decrease) increase in advance received | (773,753) | 168,833 | (6,448) |
| (Increase) decrease in bad debts on receivables | (55,590) | 330 | (463) |
| Other, net | 563,591 | (28,061) | 4,697 |
| Subtotal | 391,168 | 2,334,709 | 3,260 |
| Interest and dividends received | 129,014 | 126,643 | 1,075 |
| Interest paid | (42,220) | (48,162) | (352) |
| Income taxes paid | (967,667) | (646,736) | (8,064) |
| Income taxes refund | - | 153,072 | - |
| Net cash (used in) provided by operating activities | (489,704) | 1,919,526 | (4,081) |
| Investing activities | | | |
| Purchases of property and equipment | (777,239) | (874,390) | (6,477) |
| Proceeds from sales of property and equipment | 27,252 | 13,766 | 227 |
| Purchases of intangible assets | (144,269) | (167,670) | (1,202) |
| Purchases of investments in securities | (243,602) | (47,269) | (2,030) |
| Proceeds from sales of investments in securities | 56,311 | - | 469 |
| Payments for sales of investment in a subsidiary resulting in change in scope of consolidation | - | (22,775) | - |
| Payments for transfer of business | - | (205,799) | - |
| Long-term loans receivable made | (2,495) | (5,730) | (21) |
| Collection of long-term loans | 34,074 | 73,251 | 284 |
| Purchases of time deposits | - | (16,330) | - |
| Increase in deposits for business space | (206,488) | (129,880) | (1,721) |
| Decrease in deposits for business space | 254,926 | 270,795 | 2,124 |
| Other, net | (9,742) | (10,035) | (81) |
| Net cash used in investing activities | (1,011,273) | (1,122,067) | (8,427) |
| Financing activities | | | |
| Increase (decrease) in short-term borrowings, net | 37,436 | (129,423) | 312 |
| Proceeds from long-term loans | 1,528,740 | 1,300,000 | 12,740 |
| Repayment of long-term loans | (661,516) | (773,262) | (5,513) |
| Dividends paid to stockholders | (253,629) | (189,259) | (2,114) |
| Dividends paid to minority stockholders | (108,000) | (36,000) | (900) |
| Other, net | (47,139) | (86,344) | (393) |
| Net cash provided by financing activities | 495,890 | 85,710 | 4,132 |
| Effect of exchange rate changes on cash and cash equivalents | 158,764 | 203,540 | 1,323 |
| Net (decrease) increase in cash and cash equivalents | (846,323) | 1,086,709 | (7,053) |
| Cash and cash equivalents at beginning of the year | 6,303,451 | 5,216,742 | 52,529 |
| Cash and cash equivalents at end of the year <i>(Note 21)</i> | ¥ 5,457,127 | ¥ 6,303,451 | \$ 45,476 |

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

March 31, 2015

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.

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 ten 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.

c. Securities

Securities except for investments in 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.

1. Summary of Significant Accounting Policies (continued)

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. The estimated useful lives of the assets are as follows:

- Buildings and structures: 8 to 47 years
- Machinery and vehicles: 4 to 10 years

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.

i. Deferred charges

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

1. Summary of Significant Accounting Policies (continued)

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. Retirement benefit

The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

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

Certain consolidated subsidiaries have adopted the simplified method in the calculation of their retirement benefit obligation and retirement benefit expense.

l. Goodwill

Goodwill has been amortized by the straight-line method over 5 years.

m. Cash equivalents

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

2. Accounting Changes

The Company and its domestic subsidiaries adopted section 35 of “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012) and the main clause of Section 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of March 26, 2015) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed to use a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, the liability for retirement benefits decreased by ¥458,403 thousand (\$3,820 thousand) and retained earnings increased by ¥295,028 thousand (\$2,459 thousand) at April 1, 2014. Also, net assets per share at March 31, 2015 increased by ¥23.34 (\$0.19). The impact on consolidated operating income, income before income taxes and minority interests, net income per share and diluted net income per share for the year ended March 31, 2015 is immaterial.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥120.00 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2015, 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, 2015 and 2014 were as follows:

| | March 31, | | |
|-----------------------------------|--------------------|-------------------|-----------------------------|
| | 2015 | 2014 | 2015 |
| | (Thousands of yen) | | (Thousands of U.S. dollars) |
| Merchandise and finished products | ¥9,255,907 | ¥5,981,172 | \$77,133 |
| Real estate held for sale | 181,911 | 676,769 | 1,516 |
| Raw materials and supplies | 61,003 | 60,102 | 508 |
| | <u>¥9,498,822</u> | <u>¥6,718,044</u> | <u>\$79,157</u> |

Land, buildings and structures and other property and equipment of ¥1,586,146 thousand (\$13,218 thousand) were transferred to real estate held for sale at March 31, 2015 because the Company changed the purpose of holding those assets.

Revaluation loss included in “Cost of sales” amounted to ¥23,831 thousand (\$199 thousand) and ¥47,328 thousand for the years ended March 31, 2015 and 2014.

5. Property and Equipment

The following table sets forth the acquisition costs and related accumulated depreciation of certain property and equipment at March 31, 2015 and 2014:

| | March 31, | | |
|--------------------------|--------------------|--------------------|-----------------------------|
| | 2015 | 2014 | 2015 |
| | (Thousands of yen) | | (Thousands of U.S. dollars) |
| Buildings and structures | ¥ 3,490,662 | ¥ 4,063,485 | \$ 29,089 |
| Machinery and vehicles | 360,712 | 353,931 | 3,006 |
| Flight equipment | 104,699 | 435,028 | 872 |
| Other | 1,519,302 | 1,675,929 | 12,661 |
| | <u>5,475,376</u> | <u>6,528,375</u> | <u>45,628</u> |
| Accumulated depreciation | (3,257,956) | (3,614,285) | (27,150) |
| | <u>¥ 2,217,420</u> | <u>¥ 2,914,089</u> | <u>\$ 18,479</u> |

6. Investments and Other Assets

Investments in unconsolidated subsidiaries and affiliates included in “Investment securities” as of March 31, 2015 and 2014 amounted to ¥1,430,094 thousand (\$11,917 thousand) and ¥1,238,255 thousand, respectively.

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt at March 31, 2015 and 2014 consisted of the following:

| | March 31, | |
|--|--|---|
| | 2015 <i>(Thousands of yen)</i> | 2014 <i>(Thousands of U.S. dollars)</i> |
| Short-term Borrowings: | | |
| Short-term Borrowings without collateral, with weighted-average interest rate of 0.62% | ¥1,210,000 | \$10,083 |
| | <u>¥1,210,000</u> | <u>\$10,083</u> |
| Long-term debt: | | |
| Loans without collateral, due 2016 to 2020, with weighted-average interest rate of 0.85% | ¥3,617,922 | \$30,149 |
| Lease obligations | 86,800 | 723 |
| | <u>3,704,723</u> | <u>30,873</u> |
| Less current portion | <u>(967,599)</u> | <u>(8,063)</u> |
| | <u>¥2,737,123</u> | <u>\$22,809</u> |

The aggregate annual maturities of long-term debt subsequent to March 31, 2015 are summarized as follows:

| <u>Year ending March 31,</u> | <i>(Thousands of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
|------------------------------|---------------------------|------------------------------------|
| 2016 | ¥ 941,493 | \$ 7,846 |
| 2017 | 1,076,428 | 8,970 |
| 2018 | 730,000 | 6,083 |
| 2019 | 480,000 | 4,000 |
| 2020 | 260,000 | 2,167 |
| 2021 and thereafter | 130,000 | 1,083 |
| | <u>¥3,617,922</u> | <u>\$30,149</u> |

The aggregate annual maturities of lease obligations subsequent to March 31, 2015 are summarized as follows:

| <u>Year ending March 31,</u> | <i>(Thousands of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
|------------------------------|---------------------------|------------------------------------|
| 2016 | ¥26,105 | \$218 |
| 2017 | 19,621 | 164 |
| 2018 | 17,826 | 149 |
| 2019 | 15,293 | 127 |
| 2020 | 5,374 | 45 |
| 2021 and thereafter | 2,579 | 21 |
| | <u>¥86,800</u> | <u>\$723</u> |

7. 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, 2015 and 2014 were as follows:

| | March 31, | | |
|----------------------------|--------------------|------------|-----------------------------|
| | 2015 | 2014 | 2015 |
| | (Thousands of yen) | | (Thousands of U.S. dollars) |
| Total commitment available | ¥5,500,000 | ¥6,500,000 | \$45,833 |
| Less amount utilized | (720,000) | (450,000) | (6,000) |
| Balance available | ¥4,780,000 | ¥6,050,000 | \$39,833 |

8. Retirement Benefit Plan

The Company and certain consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution plans. The Company and certain consolidated subsidiaries have defined benefit plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occur. Certain consolidated subsidiaries have adopted the simplified method in the calculation of their retirement benefit obligation.

Plan excluding that calculated by simplified method

The changes in the retirement benefit obligation during the years ended March 31, 2015 and 2014 are as follows:

| | March 31, | | |
|---|--------------------|------------|-----------------------------|
| | 2015 | 2014 | 2015 |
| | (Thousands of yen) | | (Thousands of U.S. dollars) |
| Balance at the beginning of the year | ¥2,787,297 | ¥2,566,249 | \$23,227 |
| Cumulative effect of change in accounting principle | (458,403) | – | (3,820) |
| Restarted Balance at the beginning of the year | 2,328,894 | 2,566,249 | 19,407 |
| Service cost | 120,831 | 105,478 | 1,007 |
| Interest cost | 19,097 | 46,192 | 159 |
| Adjustment for actuarial assumptions | 4,514 | 227,059 | 38 |
| Retirement benefit paid | (193,555) | (157,682) | (1,613) |
| Balance at the end of the year | ¥2,279,782 | ¥2,787,297 | \$18,998 |

8. Retirement Benefit Plan (continued)

Plan excluding that calculated by simplified method (continued)

The changes in plan assets during the year ended March 31, 2015 and 2014 are as follows:

| | March 31, | | |
|--------------------------------------|---------------------------|-------------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Balance at the beginning of the year | ¥2,291,209 | ¥2,120,711 | \$19,093 |
| Expected return on plan assets | 57,280 | 53,017 | 477 |
| Adjustment for actuarial assumptions | 128,100 | 85,685 | 1,068 |
| Contributions by the Company | 180,984 | 189,476 | 1,508 |
| Retirement benefit paid | (193,555) | (157,682) | (1,613) |
| Balance at the end of the year | <u>¥2,464,019</u> | <u>¥2,291,209</u> | <u>\$20,533</u> |

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2015 and 2014 for the Company's defined benefit plans:

| | March 31, | | |
|--|---------------------------|------------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Funded retirement benefit obligation | ¥ 2,279,782 | ¥ 2,787,297 | \$ 18,998 |
| Plan assets at fair value | (2,464,019) | (2,291,209) | (20,533) |
| | (184,237) | 496,087 | (1,535) |
| Unfunded retirement benefit obligation | - | - | - |
| Net liability (asset) for retirement benefits in the balance sheet | (184,237) | 496,087 | (1,535) |
| Liability for retirement benefits | - | 496,087 | - |
| Asset for retirement benefits | (184,237) | - | (1,535) |
| Net liability (asset) for retirement benefits in the balance sheet | <u>¥ (184,237)</u> | <u>¥ 496,087</u> | <u>\$ (1,535)</u> |

The components of retirement benefit expenses for the years ended March 31, 2015 and 2014 are as follows:

| | March 31, | | |
|--|---------------------------|-----------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Service cost | ¥120,831 | ¥105,478 | \$1,007 |
| Interest cost | 19,097 | 46,192 | 159 |
| Expected return on plan assets | (57,280) | (53,017) | (477) |
| Amortization of adjustment for actuarial assumptions | 23,071 | 39,171 | 192 |
| Retirement benefit expense | <u>¥105,720</u> | <u>¥137,824</u> | <u>\$ 881</u> |

8. Retirement Benefit Plan (continued)

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 are as follows:

| | March 31, | |
|--------------------------------------|---------------------------|------------------------------------|
| | 2015 | 2014 |
| | <i>(Thousands of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
| Adjustment for actuarial assumptions | ¥(146,658) | ¥– |
| Total | ¥(146,658) | \$(1,222) |

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 are as follows:

| | March 31, | |
|---|---------------------------|------------------------------------|
| | 2015 | 2014 |
| | <i>(Thousands of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
| Unrecognized adjustment for actuarial assumptions | ¥(37,460) | ¥109,198 |
| Total | ¥(37,460) | \$(312) |

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 are as follows:

| | March 31, | |
|------------------------|------------------|-------------|
| | 2015 | 2014 |
| Bonds | 17.8% | 17.9% |
| Stocks | 24.6 | 20.9 |
| General account assets | 55.4 | 58.8 |
| Other | 2.2 | 2.3 |
| Total | 100.0% | 100.0% |

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumption used in accounting for the above plans were as follows:

| | March 31, | |
|---|------------------|-------------|
| | 2015 | 2014 |
| Discount rate | 0.8% | 1.1% |
| Expected rates of return on plan assets | 2.5% | 2.5% |

8. Retirement Benefit Plan (continued)

Plan calculated by the simplified method

The changes in the retirement benefit obligation for consolidated subsidiaries adopting the simplified method during the year ended March 31, 2015 and 2014 are as follows:

| | March 31, | | |
|--------------------------------------|---------------------------|-----------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Balance at the beginning of the year | ¥ 57,187 | ¥ 91,242 | \$ 477 |
| Retirement benefit expense | 41,698 | 38,160 | 347 |
| Retirement benefit paid | (13,612) | (3,200) | (113) |
| Contribution to pension plans | (25,027) | (27,649) | (209) |
| Translation adjustment | 1,270 | 392 | 11 |
| Change in scope of consolidation | – | (41,756) | – |
| Balance at the end of the year | <u>¥ 61,516</u> | <u>¥ 57,187</u> | <u>\$ 513</u> |

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2015 and 2014 for consolidated subsidiaries adopting the simplified method:

| | March 31, | | |
|--|---------------------------|-----------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Funded retirement benefit obligation | ¥ 265,585 | ¥ 251,907 | \$ 2,213 |
| Plan assets at fair value | (221,252) | (208,776) | (1,844) |
| | 44,332 | 43,130 | 369 |
| Unfunded retirement benefit obligation | 17,184 | 14,056 | 143 |
| Net liability for retirement benefits in the balance sheet | <u>61,516</u> | <u>57,187</u> | <u>513</u> |
| Liability for retirement benefits | <u>61,516</u> | <u>57,187</u> | <u>513</u> |
| Net liability for retirement benefits in the balance sheet | <u>¥ 61,516</u> | <u>¥ 57,187</u> | <u>\$ 513</u> |

Retirement benefit expenses for the simplified method of ¥41,698 thousand (\$347 thousand) and ¥38,160 thousand were accounted for the years ended March 31, 2015 and 2014.

Defined contribution plans

Contribution made to defined contribution plans for the years ended March 31, 2015 and 2014 were ¥94,924 thousand (\$791 thousand) and ¥97,050 thousand, respectively.

9. 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, 2015 and 2014 were as follows:

| | Year ended March 31, 2015 | | | At March 31, 2015 |
|--|----------------------------------|------------------------------|----------|-------------------------|
| | At March 31, 2014 | Increase | Decrease | |
| | | <i>(Thousands of shares)</i> | | |
| Number of shares of stock in issue: | | | | |
| Common stock | 12,775 | – | – | 12,775 |
| Number of shares of common stock in treasury: | | | | |
| Common stock | 140 | – | 3 | 136 |

The decrease in common stock in treasury of 3 thousand shares resulted from exercise of subscription rights as stock options.

| | Year ended March 31, 2014 | | | At March 31, 2014 |
|--|----------------------------------|------------------------------|----------|-------------------------|
| | At March 31, 2013 | Increase | Decrease | |
| | | <i>(Thousands of shares)</i> | | |
| Number of shares of stock in issue: | | | | |
| Common stock | 12,775 | – | – | 12,775 |
| Number of shares of common stock in treasury: | | | | |
| Common stock | 143 | 0 | 3 | 140 |

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 3 thousand shares resulted from exercise of subscription rights as stock options.

9. 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 20, 2014 | Common stock | ¥252,852 | \$2,107 | ¥20.0 | \$0.17 | March 31, 2014 | June 23, 2014 |

Dividends with the cut-off date in the year ended March 31, 2015 and effective date in the year ended March 31, 2016

| 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 19, 2015 | Common stock | ¥316,163 | \$2,635 | ¥25.0 | \$0.21 | March 31, 2015 | June 22, 2015 |

10. 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 descriptions of stock options for the year ended March 31, 2015 are as follows:

| | <u>2010 Stock Option Plan</u> | <u>2009 Stock Option Plan</u> |
|---|---|---|
| Individuals covered by the plan | 4 directors of the Company | 7 directors of the Company 6 operating officers of the Company |
| Type and number of shares to be issued upon the exercise of the share subscription rights | 15,000 shares of common stock | 23,600 shares of common stock |
| Granted date | September 24, 2010 | October 29, 2009 |
| Vesting conditions | No provisions | No provisions |
| Vesting period | No provisions | No provisions |
| Exercise period | September 25, 2010 – September 24, 2040 | October 30, 2009 – October 29, 2039 |

10. Stock Options (continued)

The changes in the size of stock options for the year ended March 31, 2015 are as follows:

| | <u>2010 Stock Option Plan</u> | <u>2009 Stock Option Plan</u> |
|--|-------------------------------|-------------------------------|
| Share subscription rights which are not yet vested (<i>Number of shares</i>) | | |
| Outstanding as of March 31, 2014 | – | – |
| Granted | – | – |
| Forfeited | – | – |
| Vested | – | – |
| Outstanding as of March 31, 2015 | – | – |
| Share subscription rights which have already been vested (<i>Number of shares</i>) | | |
| Outstanding as of March 31, 2014 | 5,900 | 3,200 |
| Vested | – | – |
| Exercised | 2,200 | 1,700 |
| Forfeited | – | – |
| Outstanding as of March 31, 2015 | 3,700 | 1,500 |
| Exercise price (<i>yen</i>) | ¥ 1 | ¥ 1 |
| Weighted average fair value per stock at the exercising date (<i>yen</i>) | 1,183 | 1,183 |
| Fair value per stock option at the granted date (<i>yen</i>) | 654 | 1,208 |
| Exercise price (<i>U.S. dollars</i>) | \$ 0.01 | \$ 0.01 |
| Weighted average fair value per stock at the exercising date (<i>U.S. dollars</i>) | 9.86 | 9.86 |
| Fair value per stock option at the granted date (<i>U.S. dollars</i>) | 5.45 | 10.07 |

11. Other Income (Expenses)

The components of “Other, net” in “Non-operating income (expenses)” in the period ended March 31, 2015 and 2014 were as follows:

| | Year ended March 31, | | |
|--|-----------------------------|-----------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Dividends received | ¥ 19,202 | ¥ 32,981 | \$ 160 |
| Exchange gain (loss), net | 149,290 | 19,122 | 1,244 |
| Gain on sales of property and equipment | 9,456 | 7,088 | 79 |
| Gain on sales of investment in a subsidiary | – | 54,215 | – |
| Gain on sales of investments in securities | 18,889 | – | 157 |
| Commission paid | (24,978) | (37,600) | (208) |
| Amortization of business commencement expenses | (16,272) | (16,598) | (136) |
| Loss on sales and disposal of property and equipment | (27,427) | (13,321) | (229) |
| Impairment losses on fixed assets | (28,043) | (40,203) | (234) |
| Loss on revaluation of investments in securities | (24,999) | (5,041) | (208) |
| Special retirement expenses | (50,871) | – | (424) |
| Other, net | 62,347 | 46,804 | 520 |
| | <u>¥ 86,592</u> | <u>¥ 47,447</u> | <u>\$ 722</u> |

12. Impairment of Fixed Assets

For the year ended March 31, 2015, the Company and a consolidated subsidiary recognized impairment losses on fixed assets of ¥28,043 thousand (\$234 thousand), and for the year ended March 31, 2014 the Company recognized impairment losses on fixed asset of ¥40,203 thousand which consisted of the following:

| Location | Use | Classification | Year ended March 31, | | |
|------------------------|-----------------|--------------------------------|-----------------------------------|-----------------------------------|--|
| | | | 2015 <i>(Thousands of yen)</i> | 2014 <i>(Thousands of yen)</i> | 2015 <i>(Thousands of U.S. dollars)</i> |
| Komatsu-shi, Ishikawa | Airport shops | Buildings, furniture and other | ¥18,630 | ¥ – | \$155 |
| Miyazaki-shi, Miyazaki | Airport shops | Buildings, furniture and other | 9,413 | – | 78 |
| Aomori-shi, Aomori | Airport shops | Buildings, furniture and other | – | 10,723 | – |
| Bangkok, Thailand | Business assets | Furniture, software and other | – | 29,480 | – |

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, 2015 and 2014.

The recoverable amount of each group of assets was measured by their usage value and future cash flows at discount rates of 5.4% and 3.6% for the years ended March 31, 2015 and 2014.

13. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

| | March 31, | | |
|--|---------------------------|------------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Deferred tax assets: | | | |
| Accrued bonuses | ¥ 152,520 | ¥ 174,486 | \$ 1,271 |
| Allowance for doubtful accounts | 30,612 | 6,092 | 255 |
| Liability for retirement benefits | 16,309 | 193,447 | 136 |
| Impairment losses on fixed assets | 30,284 | 38,129 | 252 |
| Accrued enterprise tax | 43,924 | 41,143 | 366 |
| Elimination of unrecognized gain on intercompany accounts and transactions | 71,256 | 69,540 | 594 |
| Loss on revaluation of inventories | 12,966 | 29,362 | 108 |
| Loss on revaluation of investments in securities | 11,471 | 3,567 | 96 |
| Tax loss carryforwards | 306,613 | 327,668 | 2,555 |
| Other | 141,326 | 166,108 | 1,178 |
| | <u>817,285</u> | <u>1,049,547</u> | <u>6,811</u> |
| Valuation allowance | (265,018) | (345,782) | (2,208) |
| Total deferred tax assets | <u>552,267</u> | <u>703,765</u> | <u>4,602</u> |
| Deferred tax liabilities: | | | |
| Accumulated retained earnings of consolidated subsidiaries | (224,535) | (41,318) | (1,871) |
| Asset for retirement benefits | (60,697) | - | (506) |
| Other | (85,054) | (80,328) | (709) |
| Total deferred tax liabilities | <u>(370,288)</u> | <u>(121,647)</u> | <u>(3,086)</u> |
| Net deferred tax assets | <u>¥ 181,979</u> | <u>¥ 582,117</u> | <u>\$ 1,516</u> |

Reconciliations between the statutory tax rate and the effective tax rates for the years ended March 31, 2015 and 2014 were presented as follows:

| | Year ended March 31, | |
|--|-----------------------------|---------------|
| | 2015 | 2014 |
| Statutory tax rate | 35.64% | 38.01% |
| Disallowed expenses, including entertainment expenses | 1.37 | 2.40 |
| Inhabitants' per capita taxes | 0.68 | 0.98 |
| Changes in valuation allowance | (1.90) | 0.72 |
| Equity in earnings of affiliates | (1.43) | (1.06) |
| Decrease in deferred tax assets due to tax rate change | 1.08 | 1.34 |
| Amortization of goodwill | 0.39 | 0.78 |
| Accumulated retained earnings of consolidated subsidiaries | 7.10 | (0.30) |
| Other | 1.26 | 0.80 |
| Effective tax rate | <u>44.19%</u> | <u>43.67%</u> |

13. Income Taxes (continued)

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 35.64% to 33.10% and 32.34% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled in the year beginning April 1, 2016, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥23,595 thousand (\$197 thousand) and increase deferred income taxes by ¥27,763 thousand (\$231 thousand), net unrealized gain on other securities by ¥251 thousand (\$2 thousand), net unrealized gain on hedging instruments by ¥2,965 thousand (\$25 thousand) and retirement benefits liability adjustments by ¥951 thousand (\$8 thousand) as of and for the year ended March 31, 2015.

14. Other Comprehensive Income

The following table presents reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2015 and 2014:

| | March 31, | | |
|--|---------------------------|----------|---|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i> |
| Net unrealized gain on other securities: | | | |
| Amount arising during the year | ¥ 10,688 | ¥ 7,052 | \$ 89 |
| Reclassification adjustments for gains and losses included in net income | – | (887) | – |
| Amount before tax effect | 10,688 | 6,165 | 89 |
| Tax effect | (3,506) | (2,474) | (29) |
| | 7,181 | 3,691 | 60 |
| Net unrealized gain (loss) on hedging instruments: | | | |
| Amount arising during the year | 64,832 | (34,333) | 540 |
| Tax effect | (20,141) | 14,280 | (168) |
| | 44,691 | (20,053) | 372 |
| Translation adjustments: | | | |
| Amount arising during the year | 215,077 | 424,652 | 1,792 |
| Retirement benefits liability adjustments: | | | |
| Amount arising during the year | 123,586 | – | 1,030 |
| Reclassification adjustments for gains and losses included in net income | 23,071 | – | 192 |
| Amount before tax effect | 146,658 | – | 1,222 |
| Tax effect | (51,032) | – | (425) |
| | 95,625 | – | 797 |
| Share of other comprehensive income of companies accounted for by the equity method: | | | |
| Amount arising during the year | 29,167 | 22,239 | 243 |
| Reclassification adjustments for gains and losses included in net income | (9,530) | – | (79) |
| | 19,636 | 22,239 | 164 |
| Total other comprehensive income | ¥382,212 | ¥430,530 | \$3,185 |

15. Leases

As lessee under operating leases

Future rental expenses under operating leases outstanding at March 31, 2015 and 2014 are summarized as follows:

| | March 31, | |
|---------------|--------------------|-----------------------------|
| | 2015 | 2014 |
| | (Thousands of yen) | (Thousands of U.S. dollars) |
| Within 1 year | ¥1,642,025 | \$13,684 |
| Over 1 year | 4,234,204 | 35,285 |
| | <u>¥5,876,229</u> | <u>\$48,969</u> |

As lessor under financing leases

The annual collections of lease receivables subsequent to March 31, 2015 are summarized as follows:

| Year ending March 31, | (Thousands of yen) | (Thousands of U.S. dollars) |
|-----------------------|--------------------|-----------------------------|
| 2016 | ¥10,933 | \$91 |
| 2017 | 9,488 | 79 |
| 2018 | 6,089 | 51 |
| 2019 | 4,015 | 33 |
| 2020 | 3,282 | 27 |

The annual collections of lease receivables subsequent to March 31, 2014 were summarized as follows:

| Year ending March 31, | (Thousands of yen) |
|-----------------------|--------------------|
| 2015 | ¥6,939 |
| 2016 | 3,143 |
| 2017 | 1,376 |

As lessor under operating leases

Future rental revenues under operating leases outstanding at March 31, 2015 and 2014 are summarized as follows:

| | March 31, | |
|---------------|--------------------|-----------------------------|
| | 2015 | 2014 |
| | (Thousands of yen) | (Thousands of U.S. dollars) |
| Within 1 year | ¥1,234,111 | \$10,284 |
| Over 1 year | 1,748,918 | 14,574 |
| | <u>¥2,983,030</u> | <u>\$24,859</u> |

16. 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, | | |
|---------------------------------------|-----------------------------|-------------|-----------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Yen)</i> | | <i>(U.S. dollars)</i> |
| Net income per share of common stock: | | | |
| Basic | ¥90.86 | ¥76.56 | \$0.757 |
| Diluted | ¥90.82 | ¥76.50 | \$0.757 |

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, 2015 and 2014:

| | Year ended March 31, | | |
|--|-----------------------------|-------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Net income | ¥1,148,328 | ¥967,308 | \$9,569 |
| Net income available to stockholders of shares of common stock | ¥1,148,328 | ¥967,308 | \$9,569 |

| | Year ended March 31, | |
|---|------------------------------|-------------|
| | 2015 | 2014 |
| | <i>(Thousands of shares)</i> | |
| Weighted-average number of shares of common stock outstanding | | 12,637 |
| Effect of dilutive securities: | | |
| Subscription rights to shares | | 6 |
| | | 9 |

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

| | March 31, | | |
|----------------------|------------------|-------------|-----------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Yen)</i> | | <i>(U.S. dollars)</i> |
| Net assets per share | ¥1,311.25 | ¥1,186.64 | \$10.927 |

17. 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 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.

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.

17. Financial Instruments (continued)

Risk management for financial instruments (continued)

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

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

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

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

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

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

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments and estimated fair value on the consolidated balance sheet as of March 31, 2015 and 2014 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, 2015 | | |
|-------------------------------------|-----------------------|-------------------------|-----------------|
| | Carrying value | Estimated fair value | Difference |
| <i>(Thousands of yen)</i> | | | |
| Assets | | | |
| Cash and time deposits | ¥ 5,459,997 | ¥ 5,459,997 | ¥ – |
| Trade notes and accounts receivable | 12,650,371 | 12,650,371 | – |
| Investment securities | 123,395 | 123,395 | – |
| Total assets | ¥18,233,764 | ¥18,233,764 | ¥ – |
| Liabilities | | | |
| Trade notes and accounts payable | ¥10,300,483 | ¥10,300,483 | ¥ – |
| Short-term borrowings | 1,210,000 | 1,210,000 | – |
| Accrued expenses | 2,509,260 | 2,509,260 | – |
| Long-term debt (*1) | 3,617,922 | 3,612,622 | (5,299) |
| Total liabilities | ¥17,637,666 | ¥17,632,367 | ¥(5,299) |
| Derivatives (*2) | ¥ 116,735 | ¥ 116,735 | ¥ – |

17. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

| | March 31, 2015 | | |
|-------------------------------------|-----------------------|-------------------------|---------------|
| | Carrying value | Estimated fair value | Difference |
| <i>(Thousands of U.S. dollars)</i> | | | |
| Assets | | | |
| Cash and time deposits | \$ 45,500 | \$ 45,500 | \$ – |
| Trade notes and accounts receivable | 105,420 | 105,420 | – |
| Investment securities | 1,028 | 1,028 | – |
| Total assets | \$151,948 | \$151,948 | \$ – |
| Liabilities | | | |
| Trade notes and accounts payable | \$ 85,837 | \$ 85,837 | \$ – |
| Short-term borrowings | 10,083 | 10,083 | – |
| Accrued expenses | 20,911 | 20,911 | – |
| Long-term debt (*1) | 30,149 | 30,105 | (44) |
| Total liabilities | \$146,981 | \$146,936 | \$(44) |
| Derivatives (*2) | \$ 973 | \$ 973 | \$ – |

| | March 31, 2014 | | |
|-------------------------------------|-----------------------|-------------------------|-----------------|
| | Carrying value | Estimated fair value | Difference |
| <i>(Thousands of yen)</i> | | | |
| Assets | | | |
| Cash and time deposits | ¥ 6,361,146 | ¥ 6,361,146 | ¥ – |
| Trade notes and accounts receivable | 7,705,147 | 7,705,147 | – |
| Investment securities | 112,827 | 112,827 | – |
| Total assets | ¥14,179,121 | ¥14,179,121 | ¥ – |
| Liabilities | | | |
| Trade notes and accounts payable | ¥ 7,025,906 | ¥ 7,025,906 | ¥ – |
| Short-term borrowings | 1,232,276 | 1,232,276 | – |
| Accrued expenses | 2,047,850 | 2,047,850 | – |
| Long-term debt (*1) | 2,743,840 | 2,741,140 | (2,699) |
| Total liabilities | ¥13,049,873 | ¥13,047,173 | ¥(2,699) |
| Derivatives (*2) | ¥ 51,903 | ¥ 51,903 | ¥ – |

*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.

17. Financial Instruments (continued)

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

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

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

- b. Investment securities

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

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

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

- d. Long-term debt

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

- e. Derivative transactions

Refer to Note 19 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 18 Securities.

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

| | March 31, | | |
|-----------------------------|---------------------------|-------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Unlisted stocks | ¥1,627,680 | ¥1,424,229 | \$13,564 |
| Deposits for business space | 1,816,519 | 1,784,109 | 15,138 |

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.

17. Financial Instruments (continued)

Redemption schedule for receivables and marketable securities with maturities

| | March 31, 2015 | | | |
|---|-------------------------------|--|---|------------------------|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| | <i>(Thousands of yen)</i> | | | |
| Cash and time deposits | ¥ 5,422,585 | ¥ – | ¥ – | ¥ – |
| Trade notes and accounts receivable | 12,650,371 | – | – | – |
| Investment securities with maturities: | | | | |
| Bonds | – | – | – | 100,000 |
| Other | – | – | – | – |
| Total | ¥18,072,957 | ¥ – | ¥ – | ¥100,000 |

| | March 31, 2015 | | | |
|---|------------------------------------|--|---|------------------------|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| | <i>(Thousands of U.S. dollars)</i> | | | |
| Cash and time deposits | \$ 45,188 | \$ – | \$ – | \$ – |
| Trade notes and accounts receivable | 105,420 | – | – | – |
| Investment securities with maturities: | | | | |
| Bonds | – | – | – | 833 |
| Other | – | – | – | – |
| Total | \$150,608 | \$ – | \$ – | \$833 |

| | March 31, 2014 | | | |
|---|-------------------------------|--|---|------------------------|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| | <i>(Thousands of yen)</i> | | | |
| Cash and time deposits | ¥ 6,324,009 | ¥ – | ¥ – | ¥ – |
| Trade notes and accounts receivable | 7,705,147 | – | – | – |
| Investment securities with maturities: | | | | |
| Bonds | – | – | – | 100,000 |
| Other | – | – | – | – |
| Total | ¥14,029,157 | ¥ – | ¥ – | ¥100,000 |

18. Securities

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2015 and 2014 are summarized as follows:

| | March 31, 2015 | | |
|------------------|---------------------------|----------------------|---------------------------|
| | Carrying value | Acquisition costs | Unrealized gain (loss) |
| | <i>(Thousands of yen)</i> | | |
| Unrealized gain: | | | |
| Stocks | ¥ 21,145 | ¥ 13,112 | ¥ 8,033 |
| Bonds: | | | |
| Other | 102,250 | 100,000 | 2,250 |
| Other | - | - | - |
| | <u>123,395</u> | <u>113,112</u> | <u>10,283</u> |
| Total | <u>¥123,395</u> | <u>¥113,112</u> | <u>¥10,283</u> |

| | March 31, 2015 | | |
|------------------|------------------------------------|----------------------|---------------------------|
| | Carrying value | Acquisition costs | Unrealized gain (loss) |
| | <i>(Thousands of U.S. dollars)</i> | | |
| Unrealized gain: | | | |
| Stocks | \$ 176 | \$109 | \$67 |
| Bonds: | | | |
| Other | 852 | 833 | 19 |
| Other | - | - | - |
| | <u>1,028</u> | <u>943</u> | <u>86</u> |
| Total | <u>\$1,028</u> | <u>\$943</u> | <u>\$86</u> |

| | March 31, 2014 | | |
|------------------|---------------------------|----------------------|---------------------------|
| | Carrying value | Acquisition costs | Unrealized gain (loss) |
| | <i>(Thousands of yen)</i> | | |
| Unrealized gain: | | | |
| Stocks | ¥ 19,177 | ¥ 12,834 | ¥ 6,342 |
| | <u>19,177</u> | <u>12,834</u> | <u>6,342</u> |
| Unrealized loss: | | | |
| Stocks | - | - | - |
| Bonds: | | | |
| Other | 93,650 | 100,000 | (6,350) |
| Other | - | - | - |
| | <u>93,650</u> | <u>100,000</u> | <u>(6,350)</u> |
| Total | <u>¥112,827</u> | <u>¥112,834</u> | <u>¥ (7)</u> |

Non-marketable securities classified as other securities at March 31, 2015 and 2014 amounted to ¥197,585 thousand (\$1,647 thousand) and ¥185,973 thousand, respectively.

19. 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.

As of March 31, 2015 and 2014, there were no derivative transactions outstanding for which hedged accounting has not been applied.

The notional amounts and the estimated fair value of the forward foreign exchange contracts outstanding at March 31, 2015 and 2014, for which hedged accounting has been applied, are summarized as follows:

| Maturing within one year | March 31, 2015 | |
|--------------------------|---------------------------|-------------------|
| | <u>Notional amount</u> | <u>Fair value</u> |
| | <i>(Thousands of yen)</i> | |
| Sell: | | |
| USD | ¥ 411,055 | ¥ (2,156) |
| EUR | 41,415 | 2,892 |
| Buy: | | |
| USD | 2,930,786 | 117,947 |
| EUR | 152,051 | (3,402) |
| Others | 43,799 | 1,454 |
| Total | <u>¥3,579,108</u> | <u>¥116,735</u> |

| Maturing within one year | March 31, 2015 | |
|--------------------------|------------------------------------|-------------------|
| | <u>Notional amount</u> | <u>Fair value</u> |
| | <i>(Thousands of U.S. dollars)</i> | |
| Sell: | | |
| USD | \$ 3,425 | \$ (18) |
| EUR | 345 | 24 |
| Buy: | | |
| USD | 24,423 | 983 |
| EUR | 1,267 | (28) |
| Others | 365 | 12 |
| Total | <u>\$29,826</u> | <u>\$973</u> |

| Maturing within one year | March 31, 2014 | |
|--------------------------|---------------------------|-------------------|
| | <u>Notional amount</u> | <u>Fair value</u> |
| | <i>(Thousands of yen)</i> | |
| Sell: | | |
| USD | ¥ 300,044 | ¥ 536 |
| EUR | 20,566 | (1,498) |
| Others | 3,431 | (107) |
| Buy: | | |
| USD | 2,660,483 | 51,765 |
| EUR | 253,114 | 892 |
| Others | 457,659 | 314 |
| Total | <u>¥3,695,299</u> | <u>¥51,903</u> |

19. 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, 2015 and 2014, are summarized as follows:

| | March 31, | | |
|--------|---------------------------|-----------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Sell: | | | |
| USD | ¥ 82,422 | ¥ 2,441 | \$ 687 |
| EUR | 110,347 | – | 920 |
| Buy: | | | |
| USD | 584,904 | 430,503 | 4,874 |
| EUR | 55,064 | 19,279 | 459 |
| Others | 30,942 | 39,385 | 258 |
| Total | <u>¥863,682</u> | <u>¥491,609</u> | <u>\$7,197</u> |

The Company also utilizes interest rate swap transactions to reduce fluctuation risk deriving from interest payable for long-term debt bearing interest at variable rates. The related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment of interest expense on the hedged items if certain conditions are met. The notional amounts of the interest-rate swaps hedging long-term debt outstanding at March 31, 2015 and 2014, are summarized as follows:

| | March 31, | | |
|--------------------------|---------------------------|-----------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Maturing within one year | ¥ 60,000 | ¥ 60,000 | \$ 500 |
| Maturing after one year | 120,000 | 180,000 | 1,000 |
| Total | <u>¥180,000</u> | <u>¥240,000</u> | <u>\$1,500</u> |

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

20. 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, 2015 are as follows:

| March 31, 2015 | Carrying Value | | Fair Value |
|---------------------------|----------------|----------------|----------------|
| | Net change | March 31, 2014 | March 31, 2015 |
| <i>(Thousands of yen)</i> | | | |
| ¥1,809,753 | ¥(1,046,418) | ¥2,856,171 | ¥1,663,000 |

| March 31, 2015 | Carrying Value | | Fair Value |
|------------------------------------|----------------|----------------|----------------|
| | Net change | March 31, 2014 | March 31, 2015 |
| <i>(Thousands of U.S. dollars)</i> | | | |
| \$15,081 | \$(8,720) | \$23,801 | \$13,858 |

The components of net change in carrying value include increases mainly due to acquisitions of real estate in the amount of ¥550,712 thousand (\$4,589 thousand) and decreases mainly due to transfer to real estate held for sale in the amount of ¥1,573,564 thousand (\$13,113 thousand).

The carrying value in the consolidated balance sheet and corresponding fair value of those properties for the year ended March 31, 2014 were as follows:

| March 31, 2014 | Carrying Value | | Fair Value |
|---------------------------|----------------|----------------|----------------|
| | Net change | March 31, 2013 | March 31, 2014 |
| <i>(Thousands of yen)</i> | | | |
| ¥2,856,171 | ¥(642,877) | ¥3,499,049 | ¥2,707,870 |

The components of net change in carrying value include increases mainly due to acquisitions of real estate in the amount of ¥593,070 thousand and decreases mainly due to transfer to real estate held for sale in the amount of ¥1,297,432 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.

21. Cash Flow Information

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

| | March 31, | | |
|---|---------------------------|-------------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Cash and time deposits | ¥5,459,997 | ¥6,361,146 | \$45,500 |
| Time deposits with maturities of more than three months | (2,869) | (11,978) | (24) |
| Bank overdraft | – | (45,717) | – |
| | <u>¥5,457,127</u> | <u>¥6,303,451</u> | <u>\$45,476</u> |

22. 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, 2015 and 2014 are summarized as follows:

| | Year ended March 31, 2015 | | | | | | | |
|---|---------------------------|-------------------------------|-----------------|--------------------------|--------------|------------------------------|---|--------------|
| | Reportable segments | | | | | Adjustments and eliminations | | |
| | Aviation-related business | Media & life service business | Retail business | Food & beverage business | Total | | | |
| | <i>(Thousands of yen)</i> | | | | | | | |
| Sales, profits and assets by reportable segments: | | | | | | | | |
| Sales to outside parties | ¥31,736,349 | ¥12,013,239 | ¥47,997,542 | ¥20,970,384 | ¥112,717,516 | ¥ | – | ¥112,717,516 |
| Inter-segment sales and transfers | 217,240 | 36,757 | 24,063 | 676,425 | 954,486 | (954,486) | | – |
| Total | 31,953,590 | 12,049,997 | 48,021,605 | 21,646,809 | 113,672,002 | (954,486) | | 112,717,516 |
| Segment profits | ¥ 661,248 | ¥ 879,170 | ¥ 2,437,858 | ¥ 273,597 | ¥ 4,251,874 | ¥(1,825,723) | | ¥ 2,426,151 |
| Segment assets | ¥ 9,739,465 | ¥ 5,136,778 | ¥10,701,488 | ¥11,202,243 | ¥ 36,779,977 | ¥ 1,729,018 | | ¥ 38,508,995 |
| Other items: | | | | | | | | |
| Depreciation and amortization | ¥ 7,314 | ¥ 50,786 | ¥ 231,082 | ¥ 104,588 | ¥ 393,772 | ¥ 72,084 | | ¥ 465,857 |
| Amortization of goodwill | ¥ – | ¥ – | ¥ – | ¥ 49,056 | ¥ 49,056 | ¥ – | | ¥ 49,056 |
| Investment in affiliates accounted for by the equity method | ¥ 297,517 | ¥ 272,972 | ¥ 447,749 | ¥ – | ¥ 1,018,239 | ¥ 378,054 | | ¥ 1,396,294 |
| Capital expenditures | ¥ 17,823 | ¥ 588,591 | ¥ 222,848 | ¥ 47,439 | ¥ 876,703 | ¥ 43,752 | | ¥ 920,456 |

22. Segment Information (continued)

| | Year ended March 31, 2015 | | | | | | |
|---|------------------------------------|-------------------------------|-----------------|--------------------------|------------|------------------------------|--------------|
| | Reportable segments | | | | | Adjustments and eliminations | Consolidated |
| | Aviation-related business | Media & life service business | Retail business | Food & beverage business | Total | | |
| | <i>(Thousands of U.S. dollars)</i> | | | | | | |
| Sales, profits and assets by reportable segments: | | | | | | | |
| Sales to outside parties | \$ 264,470 | \$ 100,110 | \$ 399,980 | \$ 174,753 | \$ 939,313 | \$ – | \$ 939,313 |
| Inter-segment sales and transfers | 1,810 | 306 | 201 | 5,637 | 7,954 | (7,954) | – |
| Total | 266,280 | 100,417 | 400,180 | 180,390 | 947,267 | (7,954) | 939,313 |
| Segment profits | \$ 5,510 | \$ 7,326 | \$ 20,315 | \$ 2,280 | \$ 35,432 | \$ (15,214) | \$ 20,218 |
| Segment assets | \$ 81,162 | \$ 42,806 | \$ 89,179 | \$ 93,352 | \$ 306,500 | \$ 14,408 | \$ 320,908 |
| Other items: | | | | | | | |
| Depreciation and amortization | \$ 61 | \$ 423 | \$ 1,926 | \$ 872 | \$ 3,281 | \$ 601 | \$ 3,882 |
| Amortization of goodwill | \$ – | \$ – | \$ – | \$ 409 | \$ 409 | \$ – | \$ 409 |
| Investment in affiliates accounted for by the equity method | \$ 2,479 | \$ 2,275 | \$ 3,731 | \$ – | \$ 8,485 | \$ 3,150 | \$ 11,636 |
| Capital expenditures | \$ 149 | \$ 4,905 | \$ 1,857 | \$ 395 | \$ 7,306 | \$ 365 | \$ 7,670 |

Adjustments and eliminations for segment profits and losses include ¥5,233 thousand (\$44 thousand) of elimination of inter-segment profit and minus ¥1,830,956 thousand (\$15,258 thousand) of corporate general administration expenses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥623,277 thousand (\$5,194 thousand) of elimination of accounts inter-segment receivable and ¥2,352,295 thousand (\$19,602 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.

| | Year ended March 31, 2014 | | | | | | |
|---|---------------------------|-------------------------------|-----------------|--------------------------|--------------|------------------------------|--------------|
| | Reportable segments | | | | | Adjustments and eliminations | Consolidated |
| | Aviation-related business | Media & life service business | Retail business | Food & beverage business | Total | | |
| | <i>(Thousands of yen)</i> | | | | | | |
| Sales, profits and assets by reportable segments: | | | | | | | |
| Sales to outside parties | ¥24,667,663 | ¥11,652,246 | ¥46,455,505 | ¥17,061,938 | ¥ 99,837,354 | ¥ – | ¥99,837,354 |
| Inter-segment sales and transfers | 167,420 | 107,769 | 26,098 | 673,323 | 974,612 | (974,612) | – |
| Total | 24,835,084 | 11,760,015 | 46,481,604 | 17,735,262 | 100,811,966 | (974,612) | 99,837,354 |
| Segment profits | ¥ 510,687 | ¥ 893,051 | ¥ 2,156,528 | ¥ 68,014 | ¥ 3,628,281 | ¥(1,921,310) | ¥ 1,706,970 |
| Segment assets | ¥ 4,573,859 | ¥ 7,087,626 | ¥10,040,774 | ¥ 9,535,554 | ¥ 31,237,815 | ¥ 1,966,345 | ¥33,204,160 |
| Other items: | | | | | | | |
| Depreciation and amortization | ¥ 47,684 | ¥ 63,941 | ¥ 286,358 | ¥ 101,922 | ¥ 499,907 | ¥ 92,312 | ¥ 592,219 |
| Amortization of goodwill | ¥ – | ¥ – | ¥ – | ¥ 36,252 | ¥ 36,252 | ¥ – | ¥ 36,252 |
| Investment in affiliates accounted for by the equity method | ¥ 127,109 | ¥ 257,942 | ¥ 442,519 | ¥ – | ¥ 827,571 | ¥ 371,884 | ¥ 1,199,455 |
| Capital expenditures | ¥ 6,680 | ¥ 784,298 | ¥ 166,400 | ¥ 455,860 | ¥ 1,413,240 | ¥ 32,647 | ¥ 1,445,887 |

22. Segment Information (continued)

Adjustments and eliminations for segment profits and losses include ¥3,553 thousand of elimination of inter-segment profit and minus ¥1,924,864 thousand of corporate general administration expenses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥149,854 thousand of elimination of accounts inter-segment receivable and ¥2,116,199 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.

For the years ended March 31, 2015 and 2014, net sales to outside parties in Japan represent more than 90% of consolidated operating revenues. As a result, net sales to outside parties by countries or areas grouped according to geographical classification are not required to be disclosed.

Property, plant and equipment by geographical countries or areas at March 31, 2015 and 2014 are summarized as follows:

| | March 31, | | |
|-------------------|---------------------------|-------------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Japan | ¥3,031,886 | ¥4,251,340 | \$25,266 |
| Foreign countries | 433,150 | 452,022 | 3,610 |
| | <u>¥3,465,037</u> | <u>¥4,703,362</u> | <u>\$28,875</u> |

Impairment loss on fixed assets by reportable segments for the years ended March 31, 2015 and 2014 are summarized as follows:

| | March 31, | | |
|-------------------------------|---------------------------|----------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Aviation-related business | ¥ — | ¥ — | \$ — |
| Media & life service business | — | — | — |
| Retail business | 28,043 | 40,203 | 234 |
| Food & beverage business | — | — | — |
| Reportable segments total | <u>28,043</u> | <u>40,203</u> | <u>234</u> |
| Adjustments and eliminations | — | — | — |
| | <u>¥28,043</u> | <u>¥40,203</u> | <u>\$234</u> |

22. Segment Information (continued)

The following table presents the amortization and balance of goodwill as of and for the year ended March 31, 2015 and 2014 by reportable segment:

| | Year ended March 31, 2015 | | | | | | |
|------------------------------|---------------------------|-------------------------------|-----------------|--------------------------|----------|------------------------------|--------------|
| | Reportable segments | | | | | Adjustments and eliminations | Consolidated |
| | Aviation-related business | Media & life service business | Retail business | Food & beverage business | Total | | |
| | <i>(Thousands of yen)</i> | | | | | | |
| Amortization | ¥ – | ¥ – | ¥ – | ¥ 49,056 | ¥ 49,056 | ¥ – | ¥ 49,056 |
| Balance as of March 31, 2015 | ¥ – | ¥ – | ¥ – | ¥170,690 | ¥170,690 | ¥ – | ¥170,690 |

| | Year ended March 31, 2015 | | | | | | |
|------------------------------|------------------------------------|-------------------------------|-----------------|--------------------------|---------|------------------------------|--------------|
| | Reportable segments | | | | | Adjustments and eliminations | Consolidated |
| | Aviation-related business | Media & life service business | Retail business | Food & beverage business | Total | | |
| | <i>(Thousands of U.S. dollars)</i> | | | | | | |
| Amortization | \$ – | \$ – | \$ – | \$ 409 | \$ 409 | \$ – | \$ 409 |
| Balance as of March 31, 2015 | \$ – | \$ – | \$ – | \$1,422 | \$1,422 | \$ – | \$1,422 |

| | Year ended March 31, 2014 | | | | | | |
|------------------------------|---------------------------|-------------------------------|-----------------|--------------------------|----------|------------------------------|--------------|
| | Reportable segments | | | | | Adjustments and eliminations | Consolidated |
| | Aviation-related business | Media & life service business | Retail business | Food & beverage business | Total | | |
| | <i>(Thousands of yen)</i> | | | | | | |
| Amortization | ¥ – | ¥ – | ¥ – | ¥ 36,252 | ¥ 36,252 | ¥ – | ¥ 36,252 |
| Balance as of March 31, 2014 | ¥ – | ¥ – | ¥ – | ¥206,543 | ¥206,543 | ¥ – | ¥206,543 |

23. Related Party Transactions

The significant transactions between the Company and Japan Airline Co., Ltd., for the years ended March 31, 2015 and 2014 are summarized as follows:

| | Year ended March 31, | | |
|---------------------------|---------------------------|------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Sales of flight equipment | ¥6,016,835 | ¥5,701,841 | \$50,140 |
| Purchases of merchandise | 341,219 | 336,140 | 2,843 |
| | March 31, | | |
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Accounts receivable | ¥770,632 | ¥536,344 | \$6,422 |
| Accounts payable | 71,578 | 59,496 | 596 |

23. 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, 2015 and 2014 are summarized as follows:

| | Year ended March 31, | | |
|---------------------------|-----------------------------|-------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Sales of flight equipment | ¥368,848 | ¥335,776 | \$3,074 |

| | March 31, | | |
|---------------------|---------------------------|-------------|------------------------------------|
| | 2015 | 2014 | 2015 |
| | <i>(Thousands of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Accounts receivable | ¥47,333 | ¥27,466 | \$394 |