Independent Auditor's Report

To the Board of Directors of 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, 2017, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 such internal control as management determines is necessary to enable the preparation of 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 comply with ethical requirements and 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 our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control 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, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 present fairly, in all material respects, the financial position of JALUX Inc. and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Other Matter

The consolidated financial statements of JALUX Inc. and its consolidated subsidiaries as at and for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on June 17, 2016.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC
July 20, 2017
Tokyo, Japan

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and time deposits *(Notes 17 and 21)*	¥ 6,258,404	¥ 7,285,729	$ 55,879
Trade notes and accounts receivable *(Notes 17and 23)*	13,604,220	13,247,697	121,466
Inventories *(Note 4)*	11,071,622	11,102,103	98,854
Deferred income taxes *(Note 13)*	417,614	472,947	3,729
Accounts receivable - other	2,062,307	2,598,839	18,413
Other	1,570,583	1,216,589	14,023
Allowance for doubtful accounts	(27,039)	(44,983)	(241)
Total current assets	34,957,714	35,878,922	312,122
Property and equipment *(Notes 5, 12, 15 and 20)*:			
Buildings and structures	1,533,345	1,584,195	13,691
Machinery and vehicles	999,208	74,486	8,922
Flight equipment	–	59,740	–
Land	374,637	872,921	3,345
Construction in process	833,247	69,780	7,440
Other	474,972	367,325	4,241
Property and equipment, net	4,215,411	3,028,450	37,638
Intangible assets:			
Software *(Note 12)*	365,223	303,406	3,261
Other	34,574	33,743	309
Total intangible assets	399,797	337,149	3,570
Investments and other assets:			
Investment securities *(Notes 6, 17 and 18)*	2,048,238	1,937,389	18,288
Long-term loans receivable	171,095	180,553	1,528
Guarantee deposits *(Note 17)*	1,914,373	1,856,994	17,093
Deferred income taxes *(Note 13)*	41,027	55,167	366
Asset for retirement benefits *(Note 8)*	63,443	20,584	566
Other	149,751	124,417	1,337
Allowance for doubtful accounts	(25,936)	(13,636)	(232)
Total investment and other assets	4,361,993	4,161,470	38,946
Deferred charges:			
Business commencement expenses	–	16,172	–
Total deferred charges	–	16,172	–
Total assets	¥43,934,917	¥43,422,165	$392,276

	March 31,		
	2017	2016	2017
	(Thousands of yen)		(Thousands of U.S. dollars) (Note 3)
Liabilities and net assets			
Current liabilities:			
Trade notes and accounts payable *(Notes 17 and 23)*:	¥ 9,746,049	¥10,051,744	$ 87,018
Short-term borrowings and Current portion of long-term debt *(Notes 7 and 17)*	3,503,153	2,405,852	31,278
Accrued income taxes *(Note 13)*	745,123	832,188	6,653
Accrued expenses *(Note 17)*	3,011,991	3,298,178	26,893
Other	2,493,668	4,326,455	22,265
Total current liabilities	19,499,985	20,914,420	174,107
Long-term liabilities:			
Long-term debt *(Notes 7 and 17)*	2,159,701	2,233,882	19,283
Liability for retirement benefits *(Note 8)*	35,429	134,965	316
Deferred tax liabilities *(Note 13)*	144,376	132,405	1,289
Other	650,230	580,055	5,806
Total long-term liabilities	2,989,737	3,081,307	26,694
Commitments and contingent liabilities *(Note 7)*			
Net assets *(Note 9)*:			
Shareholders' equity:			
Common stock	2,558,550	2,558,550	22,844
Capital surplus	688,723	711,250	6,149
Retained earnings	17,130,525	15,065,042	152,951
Common stock in treasury	(134,674)	(140,124)	(1,202)
Total shareholders' equity	20,243,124	18,194,717	180,742
Accumulated other comprehensive income:			
Net unrealized gain (loss) on other securities, net of taxes *(Note 18)*	3,314	(8,007)	30
Net unrealized gain (loss) on hedging instruments, net of taxes *(Note 19)*	22,908	(113,073)	205
Translation adjustments	(183,270)	(42,553)	(1,636)
Retirement benefits liability adjustments *(Note 8)*	(60,886)	(97,261)	(544)
Total accumulated other comprehensive income	(217,933)	(260,896)	(1,946)
Subscription rights to shares *(Note 10)*	–	4,231	–
Non-controlling interests	1,420,003	1,488,384	12,679
Total net assets	21,445,194	19,426,437	191,475
Total liabilities and net assets	¥43,934,917	¥43,422,165	$392,276

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating revenues *(Notes 22 and 23)*	¥143,217,913	¥141,502,643	$1,278,731
Operating expenses *(Notes 22 and 23)*:			
Cost of sales	119,847,979	118,620,892	1,070,071
Selling, general and administrative expenses	19,313,420	19,092,167	172,441
	139,161,400	137,713,059	1,242,513
Operating income	4,056,513	3,789,583	36,219
Non-operating income (expenses):			
Interest income	13,376	11,225	119
Interest expense	(66,367)	(53,977)	(593)
Equity in earnings of affiliates	204,299	166,253	1,824
Other, net *(Note 11)*	(52,915)	(237,343)	(472)
	98,393	(113,841)	879
Profit before income taxes	4,154,906	3,675,741	37,097
Income taxes *(Note 13)*:			
Current	1,365,416	1,348,151	12,191
Deferred	(6,432)	(72,543)	(57)
	1,358,984	1,275,607	12,134
Profit attributable to:	2,795,921	2,400,133	24,964
Non-controlling interests	223,371	385,449	1,994
Owners of the company	¥ 2,572,550	¥ 2,014,684	$ 22,969

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Profit	¥2,795,921	¥2,400,133	$24,964
Other comprehensive income:			
Net unrealized gain (loss) on other securities, net of taxes	9,986	(15,575)	89
Net unrealized gain (loss) on hedging instruments, net of taxes	135,982	(191,169)	1,214
Translation adjustments	(121,379)	50,817	(1,084)
Retirement benefits liability adjustment, net of tax	36,375	(122,607)	325
Share of other comprehensive income of companies accounted for by the equity method	(26,365)	(55,725)	(235)
Total other comprehensive income *(Note 14)*	34,600	(334,260)	309
Comprehensive income	¥2,830,521	¥2,065,872	$25,273
Comprehensive income attributable to:			
Owners of the company	¥2,615,513	¥1,677,894	$23,353
Non-controlling interests	¥ 215,008	¥ 387,978	$ 1,920

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 (loss) on hedging instruments, net of taxes *(Note 19)*	Translation adjustments	Retirement benefits liability adjustments *(Note 8)*	Subscription rights to shares *(Note 10)*	Non-controlling interests	Total net assets
							(Thousands of yen)					
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
Cash dividends (¥25 per share)				(316,163)								(316,163)
Net income for the year ended March 31, 2016				2,014,684								2,014,684
Purchase of common stock in treasury					(476)							(476)
Other						(18,621)	(191,169)	(4,390)	(122,607)		458,628	121,838
Balance at March 31, 2016	12,775,000	2,558,550	711,250	15,065,042	(140,124)	(8,007)	(113,073)	(42,553)	(97,261)	4,231	1,488,384	19,426,437
Cash dividends (¥40 per share)				(505,853)								(505,853)
Net income for the year ended March 31, 2017				2,572,550								2,572,550
Purchase of common stock in treasury												-
Disposal of common stock in treasury				(1,213)	5,450							4,237
Capital increase of consolidated subsidiaries			(22,526)									(22,526)
Other						11,322	135,982	(140,717)	36,375	(4,231)	(68,380)	(29,649)
Balance at March 31, 2017	12,775,000	¥2,558,550	¥688,723	¥17,130,525	¥(134,674)	¥ 3,314	¥ 22,908	¥ (183,270)	¥ (60,886)	-	¥1,420,003	¥21,445,194

	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 (loss) on hedging instruments, net of taxes *(Note 19)*	Translation adjustments	Retirement benefits liability adjustments *(Note 8)*	Subscription rights to shares *(Note 10)*	Non-controlling interests	Total net assets
							(Thousands of U.S. dollars) (Note 3)					
Balance at March 31, 2016	12,775,000	$22,844	$6,350	$134,509	$(1,251)	$ 71	$ 1,010	$(380)	$(868)	$ 38	$ 13,289	$173,450
Cash dividends ($0.35 per share)				(4,517)								(4,517)
Net income for the year ended March 31, 2017				22,969								22,969
Purchase of common stock in treasury												-
Disposal of common stock in treasury				(11)	49							38
Capital increase of consolidated subsidiaries			(201)									(201)
Other						101	1,214	(1,256)	325	(38)	(611)	(265)
Balance at March 31, 2017	12,775,000	$22,844	$6,149	$152,951	$ (1,202)	$ 30	$ 205	$ (1,636)	$ (544)	-	$12,679	$191,475

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2017	2016	2017
	(Thousands of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities			
Profit before income taxes	¥ 4,154,906	¥ 3,675,741	$ 37,097
Depreciation and amortization	560,039	436,105	5,000
(Decrease) in provision for allowance for doubtful accounts	(5,221)	(46,145)	(47)
(Increase) in asset for retirement benefits	(20,207)	(10,625)	(180)
Increase in liability for retirement benefits	2,938	69,606	26
Interest and dividend income	(39,020)	(52,258)	(348)
Interest expense	66,367	53,977	593
Exchange (gain) loss, net	(55,067)	29,518	(492)
Equity in earnings of affiliates	(204,299)	(166,253)	(1,824)
Loss on sales of, and loss on disposal of property and equipment	22,851	65,111	204
Impairment losses on fixed assets	3,076	145,172	27
(Gain) loss on sales of investments in securities	500	(9,639)	4
Loss on revaluation of investments in securities	23,417	–	209
(Increase) in notes and accounts receivable	(550,906)	(300,116)	(4,919)
(Increase) decrease in inventories	1,274,701	(98,633)	11,381
Decrease in notes and accounts payable	(191,215)	(383,448)	(1,707)
Decrease in advance payment	(232,714)	(76,173)	(2,078)
Increase (decrease) in advance received	(232,925)	259,867	(2,080)
(Increase) decrease in bad debts on receivables	(13,007)	58,081	(116)
Other, net	(148,674)	536,736	(1,327)
Subtotal	4,415,537	4,186,626	39,424
Interest and dividends received	84,051	41,074	750
Interest paid	(61,876)	(50,670)	(552)
Income taxes paid	(1,531,433)	(1,076,115)	(13,674)
Net cash provided by operating activities	2,906,279	3,100,914	25,949
Investing activities			
Purchases of property and equipment	(2,845,300)	(942,351)	(25,404)
Proceeds from sales of property and equipment	56,438	2,933	504
Purchases of intangible assets	(152,288)	(136,653)	(1,360)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	242,589	–
Purchases of investments in securities	(6,339)	(283,041)	(57)
Proceeds from sales and redemption of investments in securities	300	119,845	3
Long-term loans receivable made	(1,308)	(131,073)	(12)
Collection of long-term loans	10,320	11,753	92
Increase in deposits for business space	(102,244)	(282,565)	(913)
Decrease in deposits for business space	176,014	122,130	1,572
Other, net	(71,641)	(58,785)	(640)
Net cash (used in) investing activities	(2,936,049)	(1,335,219)	(26,215)
Financing activities			
Increase (decrease) in short-term borrowings, net	1,405,623	(313,520)	12,550
Proceeds from long-term loans	644,635	730,186	5,756
Repayment of long-term loans	(1,187,110)	(1,002,047)	(10,599)
Proceeds from share issuance to non-controlling shareholders	15,000	103,355	134
Dividends paid to stockholders	(507,238)	(317,444)	(4,529)
Dividends paid to non-controlling shareholders	(180,000)	(180,000)	(1,607)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(140,721)	–	(1,256)
Increase (decrease) in commercial papers	(999,963)	999,963	(8,928)
Other, net	1,495	(30,955)	13
Net cash provided by (used in) financing activities	(948,279)	(10,462)	(8,467)
Effect of exchange rate changes on cash and cash equivalents	(59,634)	39,199	(532)
Net increase (decrease) in cash and cash equivalents	(1,037,684)	1,794,432	(9,265)
Cash and cash equivalents at beginning of the year	7,251,560	5,457,127	64,746
Cash and cash equivalents at end of the year *(Note 21)*	¥ 6,213,875	¥ 7,251,560	$ 55,481

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2017

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 sixteen 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 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 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.

Actuarial gains and losses are 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.

n. Income tax

The provision for income taxes is based on income for financial statement purposes. Income taxes comprise corporation tax, enterprise tax and prefectural and municipal inhabitants' taxes. The assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

2. Accounting Changes

Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practice Issue Task Force No.32, June 17, 2016 (hereinafter, "PITF No.32")) from the current fiscal year and changed the depreciation method for buildings, facilities attached to buildings and structures, which were acquired since April 1, 2016, from the declining balance method to the straight line method.
The effects of these accounting changes on the consolidated financial statements for the fiscal year ended March 31, 2017 were immaterial.

(Additional information)
The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (the Accounting Standards Board of Japan Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26")) from the current fiscal

year.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥112.00 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2017, 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, 2017 and 2016 were as follows:

	March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished products	¥9,459,804	¥10,324,077	$84,462
Real estate held for sale	1,518,910	698,431	13,561
Raw materials and supplies	92,908	79,593	829
	¥11,071,622	¥11,102,103	$98,854

Land, buildings and structures and other property and equipment of ¥1,290,535 thousand ($11,522 thousand) were transferred to real estate held for sale at March 31, 2017 because the Company changed the purpose of holding those assets.

Revaluation loss included in “Cost of sales” amounted to ¥44,455 thousand ($396 thousand) and ¥25,534 thousand for the years ended March 31, 2017 and 2016.

5. Property and Equipment

The following table sets forth the acquisition costs and related accumulated depreciation of certain property and equipment at March 31, 2017 and 2016:

	March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Buildings and structures	¥ 3,277,280	¥ 3,331,252	$ 29,261
Machinery and vehicles	1,322,536	342,601	11,808
Flight equipment	-	104,672	-
Other	1,671,799	1,560,773	14,926
	6,271,615	5,339,299	55,996
Accumulated depreciation	(3,264,089)	(3,253,551)	(29,143)
	¥ 3,007,525	¥ 2,085,748	$ 26,853

6. Investments and Other Assets

Investments in unconsolidated subsidiaries and affiliates included in “Investment securities” as of March 31, 2017 and 2016 amounted to ¥1,590,126 thousand ($14,197 thousand) and ¥1,475,789 thousand, respectively.

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt at March 31, 2017 and 2016 consisted of the following:

	March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Short-term Borrowings:			
Short-term Borrowings without collateral, with weighted-average interest rate of 1.56%	¥2,525,014	¥1,249,532	$22,545
	¥2,525,014	¥1,249,532	$22,545
Long-term debt:			
Loans without collateral, due 2017 to 2023, with weighted-average interest rate of 1.26%	¥3,137,840	¥3,390,202	$28,016
Lease obligations	140,116	97,464	1,251
	3,277,956	3,487,666	29,267
Less current portion	(1,018,545)	(1,183,494)	(9,094)
	¥2,259 ,411	¥2,304,172	$20,173

The aggregate annual maturities of long-term debt subsequent to March 31, 2017 are summarized as follows:

Year ending March 31,	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
2018	¥ 978,139	$ 8,733
2019	728,139	6,501
2020	771,875	6,891
2021	409,275	3,654
2022	209,275	1,868
2023 and thereafter	41,136	367
	¥3,137,840	$28,016

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

The aggregate annual maturities of lease obligations subsequent to March 31, 2017 are summarized as follows:

Year ending March 31,	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
2018	¥40,406	$360
2019	37,926	338
2020	27,454	245
2021	21,269	189
2022	10,376	92
2023 and thereafter	2,685	23
	¥140,116	$1,251

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, 2017 and 2016 were as follows:

	March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Total commitment available	¥3,000,000	¥4,000,000	$26,785
Less amount utilized	-	-	-
Balance available	¥3,000,000	¥4,000,000	$26,785

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. One of consolidated subsidiaries revised its retirement benefit plan from lump-sum payment to defined contribution plan in March, 2016.

Plan excluding that calculated by simplified method

8. Retirement Benefit Plan (continued)

The changes in the retirement benefit obligation during the years ended March 31, 2017 and 2016 are as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥2,368,683	¥2,279,782	$21,148
Service cost	116,369	117,328	1,039
Interest cost	19,423	18,694	173
Adjustment for actuarial assumptions	14,573	103,032	130
Retirement benefit paid	(132,243)	(150,154)	(1,180)
Balance at the end of the year	¥2,386,806	¥2,368,683	$21,310

Plan excluding that calculated by simplified method (continued)

The changes in plan assets during the year ended March 31, 2017 and 2016 are as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥2,389,267	¥2,464,019	$21,332
Expected return on plan assets	59,731	61,600	533
Adjustment for actuarial assumptions	37,224	(71,245)	332
Contributions by the Company	96,267	85,047	859
Retirement benefit paid	(132,243)	(150,154)	(1,180)
Balance at the end of the year	¥2,450,249	¥2,389,267	$21,877

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2017 and 2016 for the Company's defined benefit plans:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥2,386,806	¥2,368,683	$ 21,310
Plan assets at fair value	(2,450,249)	(2,389,267)	(21,877)
	(63,443)	(20,584)	(566)
Unfunded retirement benefit obligation	–	–	–
Net asset for retirement benefits in the balance sheet	(63,443)	(20,584)	(566)
Liability for retirement benefits	–	–	–
Asset for retirement benefits	(63,443)	(20,584)	(566)
Net asset for retirement benefits in the balance sheet	¥ (63,443)	¥ (20,584)	$ (566)

8. Retirement Benefit Plan (continued)

The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 are as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Service cost	¥116,369	¥117,328	$1,039
Interest cost	19,423	18,694	173
Expected return on plan assets	(59,731)	(61,600)	(533)
Amortization of adjustment for actuarial assumptions	29,778	(3,369)	265
Retirement benefit expense	¥105,839	¥71,052	$ 944

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 are as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Adjustment for actuarial assumptions	¥(52,429)	¥177,647	$(468)
Total	¥(52,429)	¥177,647	$(468)

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 are as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Unrecognized adjustment for actuarial assumptions	¥87,757	¥140,187	$783
Total	¥87,757	¥140,187	$783

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2016 are as follows:

	March 31,	
	2017	2016
Bonds	17.3%	16.1%
Stocks	24.8	24.3
General account assets	56.0	57.2
Other	1.9	2.4
Total	100.0%	100.0%

8. Retirement Benefit Plan (continued)

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, 2017	March 31, 2016
Discount rate	0.8%	0.8%
Expected rates of return on plan assets	2.5%	2.5%
Salary increase rate	1.0%～4.7%	1.0%～4.7%

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, 2017 and 2016 are as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 134,965	¥ 61,516	$ 1,205
Retirement benefit expense	17,610	35,517	157
Retirement benefit paid	(1,210)	(15,125)	(1)
Contribution to pension plans	(13,130)	(22,549)	(117)
Translation adjustment	(633)	(1,273)	(5)
Change in scope of consolidation	-	5,200	-
Loss on revision of retirement benefit plan	-	71,678	-
Change in pension plan	(102,172)	-	(912)
Balance at the end of the year	¥ 35,429	¥ 134,965	$ 316

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2017 and 2016 for consolidated subsidiaries adopting the simplified method:

8. Retirement Benefit Plan (continued)

	March 31,		
	2017	2016	2017
	(Thousands of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligation	¥ 122,803	¥ 352,415	$ 1,096
Plan assets at fair value	(112,262)	(240,171)	(1,002)
	10,540	112,244	94
Unfunded retirement benefit obligation	24,888	22,720	222
Net liability for retirement benefits in the balance sheet	35,429	134,965	316
Liability for retirement benefits	35,429	134,965	316
Net liability for retirement benefits in the balance sheet	¥ 35,429	¥ 134,965	$ 316

Retirement benefit expenses for the simplified method of ¥17,610 thousand ($157thousand) and ¥35,517 thousand were accounted for the years ended March 31, 2017 and 2016.

Defined contribution plans

Contribution made to defined contribution plans for the years ended March 31, 2017 and 2016 were ¥123,913 thousand ($1,106 thousand) and ¥93,524 thousand, respectively.

9. Net Assets

Under Japanese laws and regulations, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

Under the Japanese Corporate Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Additional paid-in capital is included in capital surplus and legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be capitalized by a resolution of the shareholders' meeting. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

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, 2017 and 2016 were as follows:

9. Net Assets (continued)

	Year ended March 31, 2017			
	At March 31, 2016	Increase	Decrease	At March 31, 2017
		(Thousands of shares)		
Number of shares of stock in issue:				
Common stock	12,775	–	–	12,775
Number of shares of common stock in treasury:				
Common stock	136	–	5	131

The decrease in common stock in treasury of 5 thousand shares resulted from exercise of subscription rights as stock options.

	Year ended March 31, 2016			
	At March 31, 2015	Increase	Decrease	At March 31, 2016
		(Thousands of shares)		
Number of shares of stock in issue:				
Common stock	12,775	–	–	12,775
Number of shares of common stock in treasury:				
Common stock	136	0	–	136

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

Dividends

Dividends paid

Resolution	Type of shares	Total dividends		Dividends per share		Cut-off date	Effective date
		(Thousands of yen)	*(Thousands of U.S. dollars)*	*(Yen)*	*(U.S. dollars)*		
General meeting of stockholders held on June 17, 2016	Common stock	¥505,853	$4,477	¥40.0	$0.35	March 31, 2016	June 20, 2016

Dividends with the cut-off date in the year ended March 31, 2017 and effective date in the year ended March 31, 2017

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 16, 2017	Common stock	¥632,576	$5,648	¥50.0	$0.44	March 31, 2017	June 19, 2017

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, 2017 are as follows:

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

10. Stock Options (continued)

The changes in the size of stock options for the year ended March 31, 2017 are as follows:

	2010 Stock Option Plan	2009 Stock Option Plan
Share subscription rights which are not yet vested *(Number of shares)*		
Outstanding as of March 31, 2016	–	–
Granted	–	–
Forfeited	–	–
Vested	–	–
Outstanding as of March 31, 2017	–	–
Share subscription rights which have already been vested *(Number of shares)*		
Outstanding as of March 31, 2016	3,700	1,500
Vested	–	–
Exercised	3,700	1,500
Forfeited	–	–
Outstanding as of March 31, 2017	–	–
Exercise price *(yen)*	¥ 1	¥ 1
Weighted average fair value per stock at the exercising date *(yen)*	1,729	1,729
Fair value per stock option at the granted date *(yen)*	654	1,208
Exercise price *(U.S. dollars)*	$ 0.01	$ 0.01
Weighted average fair value per stock at the exercising date *(U.S. dollars)*	15.43	15.43
Fair value per stock option at the granted date *(U.S. dollars)*	5.83	10.78

11. Other Income (Expenses)

The components of “Other, net” in “Non-operating income (expenses)” in the period ended March 31, 2017 and 2016 were as follows:

	Year ended March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Dividends received	¥ 25,644	¥ 41,032	$ 228
Exchange gain (loss), net	(37,617)	(109,021)	(335)
Gain on sales of property and equipment	1,946	2,846	17
Gain on sales of investments in securities	–	9,639	–
Gain on sales of golf-club membership	8,477	–	75
Gain on bargain purchase	–	10,889	–
Commission paid	(10,369)	(14,504)	(92)
Amortization of business commencement expenses	(16,172)	(16,272)	(145)
Loss on sales and disposal of property and equipment	(24,797)	(67,957)	(221)
Loss on sales of securities	(500)	–	(4)
Impairment losses on fixed assets	(3,076)	(145,172)	(27)
Loss on revaluation of investments in securities	(23,417)	–	209
Loss on revision of retirement benefit plan	–	(71,678)	–
Loss on liquidation of a company	(27,311)	–	(243)
Other, net	54,279	122,856	476
	¥ (52,915)	¥ (237,343)	$ (472)

12. Impairment of Fixed Assets

For the year ended March 31, 2017, the Company and a consolidated subsidiary recognized impairment losses on fixed assets of ¥3,076 thousand ($27 thousand), and for the year ended March 31, 2016 the Company recognized impairment losses on fixed asset of ¥145,172 thousand which consisted of the following:

			Year ended March 31,		
Location	**Use**	**Classification**	**2017**	**2016**	**2017**
			(Thousands of yen)		*(Thousands of U.S. dollars)*
Hakodate-shi, Hokkaido	Airport shops	Furniture	¥1,518	¥ –	$14
Komatsu-shi, Ishikawa	Airport shops	Buildings, furniture and other	1,083	1,928	10
Miyazaki-shi, Miyazaki	Airport shops	Furniture and software	475	–	4
Shinagawa-ku, Tokyo	–	Goodwill	–	126,942	–
Bangkok, Thailand	Business assets	Furniture	–	16,231	–
Shinagawa-ku, Tokyo	Business assets	Furniture	–	69	–

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.

12. Impairment of Fixed Assets (continued)

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, 2017 and 2016.

The recoverable amount of each group of assets was measured by their usage value and estimated at non-recoverable by the minus of future cash flows for the years ended March 31 2017.
The recoverable amount of each group of assets was measured by their usage value and future cash flows at discount rates of 2.7% for the years ended March 31 2016.

13. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued bonuses	¥ 160,790	¥ 157,006	$ 1,436
Allowance for doubtful accounts	17,106	17,656	153
Liability for retirement benefits	5,952	84,010	53
Impairment losses on fixed assets	13,882	18,306	124
Accrued enterprise tax	46,029	62,517	411
Elimination of unrecognized gain on intercompany accounts and transactions	83,145	84,041	742
Loss on revaluation of inventories	21,924	20,190	196
Loss on revaluation of investments in securities	22,103	7,809	197
Tax loss carryforwards	465,842	481,674	4,159
Deferred losses on hedges	—	50,469	–
Asset retirement obligation	28,315	19,425	253
Other	237,471	183,329	2,120
	1,102,563	1,186,438	9,844
Valuation allowance	(442,366)	(442,842)	(3,950)
Total deferred tax assets	660,196	743,596	5,895
Deferred tax liabilities:			
Accumulated retained earnings of consolidated subsidiaries	(244,220)	(234,475)	(2,181)
Asset for retirement benefits	(19,449)	(49,416)	(174)
Cost of asset retirement obligation	(23,514)	(26,291)	(210)
Deferred gains on hedges	(10,225)	–	(91)
Other	(48,520)	(37,703)	(433)
Total deferred tax liabilities	(345,930)	(347,886)	(3,089)
Net deferred tax assets	¥ 314,266	¥ 395,710	$ 2,806

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2016 represented less than 5% of the statutory tax rate. As a result, a reconciliation

13. Income Taxes (continued)

is not required to be disclosed. A reconciliation between the statutory tax rates and the effective tax rates for the year ended March 31, 2017 were presented as follows:

	2017
Statutory tax rate	30.86%
Disallowed expenses, including entertainment expenses	0.78
Inhabitants' per capita taxes	0.50
Equity in earnings of affiliates	(1.52)
Different tax rates applied to consolidated subsidiaries	1.54
Other	0.55
Effective tax rate	32.71%

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, 2017 and 2016:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Net unrealized gain on other securities:			
Amount arising during the year	¥ 14,391	¥ (12,934)	$ 128
Reclassification adjustments for gains and losses included in profit attributable to owners of the company	–	(9,639)	–
Amount before tax effect	14,391	(22,573)	128
Tax effect	(4,404)	6,997	(39)
	9,986	(15,575)	89
Net unrealized gain (loss) on hedging instruments:			
Amount arising during the year	196,676	(280,278)	1,756
Tax effect	(60,694)	89,108	(542)
	135,982	(191,169)	1,214
Translation adjustments:			
Amount arising during the year	(121,379)	50,817	(1,084)
Retirement benefits liability adjustments:			
Amount arising during the year	22,651	(174,277)	202
Reclassification adjustments for gains and losses included in profit attributable to owners of the company	29,778	(3,369)	266
Amount before tax effect	52,429	(177,647)	468
Tax effect	(16,054)	55,039	(143)
	36,375	(122,607)	325
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	(26,365)	(55,725)	(235)
Reclassification adjustments for gains and losses included in profit attributable to owners of the company	–	–	–
	(26,365)	(55,725)	(235)
Total other comprehensive income	¥34,600	¥(334,260)	$ 309

15. Leases

As lessee under operating leases

Future rental expenses under operating leases outstanding at March 31, 2017 and 2016 are summarized as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		(Thousands of U.S. dollars)
Within 1 year	¥1,408,157	¥1,624,931	$12,573
Over 1 year	2,900,984	2,810,792	25,902
	¥4,309,142	¥4,435,724	$38,474

As lessor under financing leases

As the impact of financing leases is immaterial, the note is not required to be disclosed.

As lessor under operating leases

Future rental revenues under operating leases outstanding at March 31, 2017 and 2016 are summarized as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		(Thousands of U.S. dollars)
Within 1 year	¥928,413	¥1,190,962	$8,289
Over 1 year	878,251	961,179	7,842
	¥1,806,664	¥2,152,142	$16,131

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,		
	2017	2016	2017
	(Yen)		(U.S. dollars)
Net income per share of common stock:			
Basic	¥203.48	¥159.41	$1.817
Diluted	¥203.46	¥159.34	$1.817

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, 2017 and 2016:

16. Amounts Per Share (continued)

	Year ended March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Net income	¥2,572,550	¥2,014,684	$22,969
Net income available to stockholders of shares of common stock	¥2,572,550	¥2,014,684	$22,969

	Year ended March 31,	
	2017	2016
	(Thousands of shares)	
Weighted-average number of shares of common stock outstanding	12,642	12,638
Effect of dilutive securities:		
Subscription rights to shares	1	5

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

	March 31,		
	2017	2016	2017
	(Yen)		*(U.S. dollars)*
Net assets per share	¥1,583.80	¥1,418.98	$14,141

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.

17. Financial Instruments (continued)

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.

Risk management for financial instruments

a. Monitoring of credit risk (the risk that customers or counterparties may default)

   In accordance with the internal policies of the Group for managing credit risk arising from receivables and deposits for business space, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

   The Group believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have the high credit-rating.

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

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

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

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

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

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

17. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments and estimated fair value on the consolidated balance sheet as of March 31, 2017 and 2016 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, 2017		
	Carrying value	Estimated fair value	Difference
	(Thousands of yen)		
Assets			
Cash and time deposits	¥ 6,258,404	¥ 6,258,404	¥ –
Trade notes and accounts receivable	13,604,220	13,604,220	–
Accounts receivable - other	2,062,307	2,062,307	–
Investment securities	257,223	257,223	–
Total assets	¥22,182,156	¥22,182,156	¥ –
Liabilities			
Trade notes and accounts payable	¥9,746,049	¥9,746,049	¥ –
Short-term borrowings	2,525,014	2,525,014	–
Accrued expenses	3,011,991	3,011,991	–
Long-term debt (*1)	3,137,840	3,139,017	1,177
Total liabilities	¥18,420,894	¥18,422,071	¥1,177
Derivatives (*2)	¥ (22,055)	¥ (22,055)	¥ –

	March 31, 2017		
	Carrying value	Estimated fair value	Difference
	(Thousands of U.S. dollars)		
Assets			
Cash and time deposits	$ 55,879	$ 55,879	$ –
Trade notes and accounts receivable	121,466	121,466	–
Accounts receivable- other	18,413	18,413	–
Investment securities	2,297	2,297	–
Total assets	$198,055	$198,055	$ –
Liabilities			
Trade notes and accounts payable	$ 87,018	$ 87,018	$ –
Short-term borrowings	22,545	22,545	–
Accrued expenses	26,893	26,893	–
Long-term debt (*1)	28,016	28,027	11
Total liabilities	$164,472	$164,483	$11
Derivatives (*2)	$ (197)	$ (197)	$ –

17. Financial Instruments (continued)

	March 31, 2016		
	Carrying value	Estimated fair value	Difference
	(Thousands of yen)		
Assets			
Cash and time deposits	¥ 7,285,729	¥ 7,285,729	¥ –
Trade notes and accounts receivable	13,247,697	13,247,697	–
Investment securities	2,598,839	2,598,839	–
Total assets	236,312	236,312	–
Liabilities	¥23,368,579	¥23,368,579	¥ –
Trade notes and accounts payable			
Short-term borrowings	¥10,051,744	¥10,051,744	¥ –
Accrued expenses	1,249,532	1,249,532	–
Long-term debt (*1)	3,298,178	3,298,178	–
Total liabilities	3,390,202	3,397,659	7,456
Derivatives (*2)	¥17,989,658	¥17,997,114	¥7,456

*1. Long-term debt includes current portion of long-term debt.

*2. The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

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

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

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

b. Investment securities

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

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.

17. Financial Instruments (continued)

e. Derivative transactions

Refer to Note 19 Derivative Transactions of the notes to the consolidated financial statements.

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

	March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks	¥1,791,014	¥1,701,076	$15,991
Guarantee deposits	1,914,373	1,856,994	17,093

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table.

Redemption schedule for receivables and marketable securities with maturities

	March 31, 2017			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of yen)			
Cash and time deposits	¥ 6,258,404	¥ –	¥ –	¥ –
Trade notes and accounts receivable	13,604,220	–	–	–
Accounts receivable-other	2,062,307			
Investment securities with maturities:				
Bonds	–	–	–	–
Other	–	–	–	–
Total	¥21,924,933	¥ –	¥ –	¥ –

17. Financial Instruments (continued)

	March 31, 2017			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of U.S. dollars)			
Cash and time deposits	$ 55,879	$ –	$ –	$ –
Trade notes and accounts receivable	121,466	–	–	–
Accounts receivable-other	18,413	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	–
Other	–	–	–	–
Total	$204,331	$ –	$ –	$ –

	March 31, 2016			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of yen)			
Cash and time deposits	¥ 7,285,729	¥ –	¥ –	¥ –
Trade notes and accounts receivable	13,247,697	–	–	–
Accounts receivable-other	2,598,839			
Investment securities with maturities:				
Bonds	–	–	–	–
Other	–	–	–	–
Total	¥23,132,266	¥ –	¥ –	¥ –

18. Securities

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2017 and 2016 are summarized as follows:

	March 31, 2017		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of yen)		
Unrealized gain:			
Stocks	¥ 257,223	¥ 254,792	¥ 2,431
Bonds:			
Other	–	–	–
Other	–	–	–
Total	¥257,223	¥254,792	¥2,431

18. Securities (continued)

	March 31, 2017		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Unrealized gain:			
Stocks	$2,297	$2,275	$22
Bonds:			
Other	–	–	–
Other	–	–	–
Total	$2,297	$2,275	$22

	March 31, 2016		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of yen)		
Unrealized gain:			
Stocks	¥ 3,359	¥ 2,212	¥ 1,147
Bonds:			
Other	–	–	–
Other	–	–	–
Unrealized loss			
Stocks	¥ 232,953	¥ 246,240	¥ (13,287)
Bonds:			
Other	–	–	–
Other	–	–	–
Total	¥236,312	¥248,452	¥(12,139)

Non-marketable securities classified as other securities at March 31, 2017 and 2016 amounted to ¥200,888 thousand ($1,794thousand) and ¥225,286 thousand, respectively.

18. Securities (continued)

Proceeds from sales of securities classified as other securities and the aggregate gain and loss for the year ended March 31, 2017 and 2016 were as follows.

	March 31,		
	2017	2016	2017
	(Thousands of yen)		(Thousands of U.S. dollars)
Sales proceeds:			
Stocks	¥ 300	¥ 19,845	$ 3
Other	–	–	–
	¥ 300	¥ 19,845	$ 3
Aggregate gain:			
Stocks	¥ –	¥ 9,639	$ –
Other	–	–	–
	¥ –	¥ 9,639	$ –
Aggregate loss:			
Stocks	¥ 500	¥ –	$ 4
Other	–	–	–
	¥ 500	¥ –	$ 4

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.

The notional amounts and the estimated fair value of the forward foreign exchange contracts outstanding at March 31, 2017 for which hedged accounting has not been applied, are summarized as follows:

	March 31, 2017	
Maturing within one year	Notional amount	Fair value
	(Thousands of yen)	
Sell:		
USD	¥ 1,222,332	¥ (55,189)
Total	¥ 1,222,332	¥ (55,189)

As of March 31 2016, there were no derivative transactions outstanding for which hedged accounting has not been applied.

19. Derivative Transactions (continued)

The notional amounts and the estimated fair value of the forward foreign exchange contracts outstanding at March 31, 2017 and 2016, for which hedged accounting has been applied, are summarized as follows:

	March 31, 2017	
Maturing within one year	Notional amount	Fair value
	(Thousands of yen)	
Sell:		
USD	¥ 454,964	¥ (803)
EUR	65,778	(216)
Buy:		
USD	3,937,399	29,880
EUR	255,786	1,408
THB	63,039	(784)
Others	54,183	3,649
Total	¥4,831,149	¥33,134

	March 31, 2017	
Maturing within one year	Notional amount	Fair value
	(Thousands of U.S. dollars)	
Sell:		
USD	$ 4,062	$(7)
EUR	587	(2)
Buy:		
USD	35,155	268
EUR	2,284	13
THB	563	(7)
Others	484	33
Total	$43,135	$296

	March 31, 2016	
Maturing within one year	Notional amount	Fair value
	(Thousands of yen)	
Sell:		
USD	¥ 1,140,393	¥ 44,995
EUR	106,132	3,556
Buy:		
USD	4,008,642	(207,655)
EUR	220,019	(771)
THB	126,163	(2,490)
Others	31,870	(1,176)
Total	¥5,633,221	¥(163,543)

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, 2017 and 2016, are summarized as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sell:			
USD	¥ 188,127	¥ 17,020	$ 1,680
EUR	85,283	46,037	761
Others	–	5,101	–
Buy:			
USD	502,894	419,854	4,490
EUR	29,226	19,593	261
THB	30,590	23,866	273
Others	4,032	2,674	36
Total	¥840,152	¥534,148	$7,501

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, 2017 and 2016, are summarized as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Maturing within one year	¥ 60,000	¥ 60,000	$ 536
Maturing after one year	–	60,000	–
Total	¥60,000	¥120,000	$ 536

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, 2017 are as follows:

Carrying Value			Fair Value
March 31, 2017	Net change	March 31, 2016	March 31, 2017
	(Thousands of yen)		
¥1,088,353	¥28,434	¥1,059,919	¥304,456

Carrying Value			Fair Value
March 31, 2017	Net change	March 31, 2016	March 31, 2017
	(Thousands of U.S. dollars)		
$9,717	$254	$9,464	$2,718

The components of net change in carrying value include increases mainly due to acquisitions of real estate in the amount of ¥1,321,573 thousand ($11,798thousand) and decreases mainly due to transfer to real estate held for sale in the amount of ¥1,290,535 thousand ($11,523 thousand).
Because it is difficult to determine the fair value, the properties under development in the amount of ¥784,507 thousand ($7,005thousand) are not included in the above table.

The carrying value in the consolidated balance sheet and corresponding fair value of those properties for the year ended March 31, 2016 were as follows:

Carrying Value			Fair Value
March 31, 2016	Net change	March 31, 2015	March 31, 2016
	(Thousands of yen)		
¥1,059,919	¥(749,834)	¥1,809,753	¥1,097,907

The components of net change in carrying value include increases mainly due to acquisitions of real estate in the amount of ¥397,607 thousand and decreases mainly due to transfer to real estate held for sale in the amount of ¥1,124,622 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,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Cash and time deposits	¥6,258,404	¥7,285,729	$55,879
Time deposits with maturities of more than three months	(4,919)	(34,168)	(44)
Bank overdraft	(39,609)	–	(354)
	¥6,213,875	¥7,251,560	$55,481

The significant noncash transactions are summarized as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Transfer from Tangible Asset to Real estate held for sale	¥1,290,535	¥1,124,622	$11,523

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 & airport-related business segment includes aircraft components, aviation-related business and printing. Life service business segment includes insurance and real estate business. Retail business segment includes cabin service supply, mail-order sales, airport shops. Food & beverage business segment includes agriculture & marine products, processed foods, wine sales business and gift item 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, 2017 and 2016 are summarized as follows:

22. Segment Information (continued)

	Year ended March 31, 2017						
	Reportable segments						
	Aviation & airport-related business	Life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
				(Thousands of yen)			
Sales, profits and assets by reportable segments:							
Sales to outside parties	¥57,165,328	¥ 7,797,490	¥46,347,849	¥31,907,244	¥143,217,913	¥ –	¥143,217,913
Inter-segment sales and transfers	110,471	12,300	60,321	936,023	1,119,116	(1,119,116)	–
Total	57,275,799	7,809,791	46,408,170	32,843,268	144,337,030	(1,119,116)	143,217,913
Segment profits	¥ 1,136,583	¥ 933,702	¥ 2,369,765	¥ 1,545,058	¥ 5,985,110	¥(1,928,597)	¥ 4,056,513
Segment assets	¥14,252,932	¥ 5,485,045	¥14,262,017	¥10,378,961	¥ 44,378,957	¥ (444,039)	¥ 43,934,917
Other items:							
Depreciation and amortization	¥ 55,231	¥ 39,957	¥ 263,373	¥ 105,558	¥ 464,120	¥ 95,919	¥ 560,039
Amortization of goodwill	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Investment in affiliates accounted for by the equity method	¥ 349,276	¥ 328,232	¥ 461,448	¥ –	¥ 1,138,958	¥ 407,722	¥ 1,546,680
Capital expenditures	¥ 920,695	¥ 1,331,870	¥ 632,775	¥ 105,119	¥ 2,990,461	¥ 55,126	¥ 3,045,587

	Year ended March 31, 2017						
	Reportable segments						
	Aviation & airport-related business	Life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
				(Thousands of U.S. dollars)			
Sales, profits and assets by reportable segments:							
Sales to outside parties	$510,405	$ 69,620	$413,820	$284,886	$1,278,731	$ –	$1,278,731
Inter-segment sales and transfers	986	110	539	8,357	9,992	(9,992)	–
Total	511,391	69,730	414,359	293,243	1,288,723	(9,992)	1,278,731
Segment profits	$ 10,148	$ 8,337	$ 21,159	$ 13,795	$ 53,438	$(17,220)	$ 36,219
Segment assets	$127,258	$ 48,974	$127,339	$ 92,669	$396,241	$ (3,965)	$392,276
Other items:							
Depreciation and amortization	$ 493	$ 358	$ 2,352	$ 942	$ 4,144	$ 856	$ 5,000
Amortization of goodwill	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Investment in affiliates accounted for by the equity method	$ 3,119	$ 2,931	$ 4,120	$ –	$ 10,169	$ 3,640	$ 13,810
Capital expenditures	$ 8,220	$ 11,892	$ 5,650	$ 939	$ 26,701	$ 492	$ 27,193

Adjustments and eliminations for segment profits and losses include ¥ 9,407 thousand ($84thousand) of elimination of inter-segment profit and minus ¥1,919,190 thousand ($17,136thousand) of corporate general administration expenses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥1,410,527 thousand ($12,594 thousand) of elimination of accounts inter-segment receivable and ¥966,487 thousand ($8,629 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 subsidiary's head office software.

22. Segment Information (continued)

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

	Year ended March 31, 2016						
	Reportable segments						
	Aviation & airport-related business	Life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
	(Thousands of yen)						
Sales, profits and assets by reportable segments:							
Sales to outside parties	¥58,539,045	¥7,012,155	¥46,161,504	¥29,789,938	¥141,502,643	¥ –	¥141,502,643
Inter-segment sales and transfers	212,037	23,973	25,541	724,944	986,496	(986,496)	–
Total	58,751,082	7,036,128	46,187,046	30,514,883	142,489,140	(986,496)	141,502,643
Segment profits	¥ 1,258,690	¥ 817,398	¥ 2,978,765	¥ 668,412	¥ 5,723,266	¥(1,933,682)	¥ 3,789,583
Segment assets	¥12,795,888	¥ 3,996,774	¥13,393,819	¥11,706,651	¥ 41,893,133	¥ 1,529,031	¥ 43,422,165
Other items:							
Depreciation and amortization	¥ 7,478	¥ 54,917,	¥ 208,664	¥ 93,634	¥ 364,694	¥ 71,411	¥ 436,105
Amortization of goodwill	¥ –	¥ –	¥ –	¥ 38,976	¥ 38,976	¥ –	¥ 38,976
Investment in affiliates accounted for by the equity method	¥ 308,011	¥ 304,479	¥ 442,907	¥ –	¥ 1,055,398	¥ 386,591	¥ 1,441,989
Capital expenditures	¥ 1,604	¥ 432,957	¥ 420,300	¥ 103,702	¥ 958,565	¥ 277,816	¥ 1,236,381

Adjustments and eliminations for segment profits and losses include ¥1,098 thousand of elimination of inter-segment profit and minus ¥1,932,584 thousand of corporate general administration expenses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥612,646 thousand of elimination of accounts inter-segment receivable and ¥2,141,678 thousand of corporate assets which are not allocable to the reportable segments. Corporate assets consist primarily of investments in securities and assets belonging to the administrative part of the Company.

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

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

For the years ended March 31, 2017 and 2016, 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.

22. Segment Information (continued)

Property, plant and equipment by geographical countries or areas at March 31, 2017 and 2016 are summarized as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Japan	¥1,716,298	¥2,299,982	$15,324
Thailand	1,211,365	450,773	10,816
Singapore	912,252	—	8,145
Other foreign countries	375,494	277,693	3,353
	¥4,215,411	¥3,028,450	$37,638

Net sales to major customers for the fiscal year ended March 31, 2017 and 2016 were as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
IHI Corporation	¥ 35,969,978	¥ 40,939,054	$ 321,161

Impairment loss on fixed assets by reportable segments for the years ended March 31, 2017 and 2016 are summarized as follows:

	March 31,		
	2017	2016	2017
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Aviation & airport-related business	¥ –	¥ 69	$ –
Life service business	–	–	–
Retail business	3,076	1,928	27
Food & beverage business	–	143,173	–
Reportable segments total	3,076	145,172	27
Adjustments and eliminations	–	–	–
	¥3,076	¥145,172	$27

22. Segment Information (continued)

The following table presents the amortization and balance of goodwill as of and for the year ended March 31 2016 by reportable segment:

	Year ended March 31, 2016						
	Reportable segments						
	Aviation & airport-related business	Life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
				(Thousands of yen)			
Amortization	¥ –	¥ –	¥ –	¥ 38,976	¥ 38,976	¥ –	¥ 38,976
Balance as of March 31, 2016	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –

23. Related Party Transactions

The significant transactions between the Company and Japan Airline Co., Ltd., for the years ended March 31, 2017 and 2016 are summarized as follows:

	Year ended March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sales of flight equipment	**¥5,435,984**	**¥5,999,432**	**$48,536**
Purchases of merchandise	309,511	316,019	2,763

	March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Accounts receivable	¥597,178	¥867,483	$5,332
Accounts payable	56,873	66,710	508

The significant transactions between certain consolidated subsidiaries of the Company and Japan Airlines Co., Ltd. for the years ended March 31, 2017 and 2016 are summarized as follows:

	Year ended March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sales of flight equipment	¥245,897	¥269,083	$2,196

	March 31,		
	2017	**2016**	**2017**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Accounts receivable	¥25,608	¥43,502	$229