Consolidated Financial Statements of JALUX Inc. and Consolidated Subsidiaries

JALUX Inc.

Year ended March 31, 2021
with Independent Auditor's Report

Independent auditor's report

To the Board of Directors of JALUX Inc.:

Opinion

We have audited the accompanying consolidated financial statements of JALUX Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment on the recoverability of deferred tax assets related to tax loss carryforwards of JALUX Airport Inc.

The key audit matter	How the matter was addressed in our audit
Deferred tax assets were recorded at ¥1,108,770 thousand in the consolidated balance sheets of the Company and its consolidated subsidiaries as of March 31, 2021. As described in Note 15, "Income Taxes," to the consolidated financial	The primary procedures we performed to assess whether the Company's judgment on the recoverability of deferred tax assets related to tax loss carryforwards of JALUX Airport Inc. was appropriate included the following:

statements, the amount of gross deferred tax assets before being offset against deferred tax liabilities and net of valuation allowance amounted to ¥1,701,908 thousand. This amount includes the tax loss carryforwards for JALUX Airport Inc., a domestic consolidated subsidiary of the Company, which constitutes the deferred tax assets. As described in Note 2, "Significant Accounting Estimates," to the consolidated financial statements, deferred tax assets related to the tax loss carryforwards amounted to ¥709,001 thousand based on future taxable income estimates. A deferred tax asset is recognized for the carryforward of unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Due to the spread of the novel coronavirus disease ("COVID-19"), the number of airline flights decreased, international travel was banned worldwide, and domestic travel was restricted, which resulted in the decrease in the number of airport users. JALUX Airport Inc. has faced a significant downturn in business, resulting in a large amount of tax loss carryforwards. The future taxable income estimates which were used to determine the recoverability of the deferred tax assets were based on the business plan prepared by management. The forecast of future operating revenues included in the business plan took into account the increase in domestic and international passenger numbers due to the containment of COVID-19 as a key assumption. Therefore, the estimate involved a high degree of uncertainty. We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the recoverability of deferred tax assets related to tax loss carryforwards of JALUX Airport Inc. was one of the most significant in our audit of the consolidated financial statements for the	**(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the future taxable income estimates used in the determination of the recoverability of deferred tax assets. **(2) Assessment of the reasonableness of the future taxable income estimates** In order to assess the reasonableness of the key assumptions adopted in the future taxable income estimates, which were important for management's judgment on the recoverability of deferred tax assets, among others, we: ● inspected materials related to the business plan, which formed the basis for estimating the future taxable income, as well as inquired of management about the basis for preparing the business plan; ● compared the increase in domestic and international passenger numbers due to the containment of COVID-19, which was taken into account in the forecast of the future operating revenues included in the business plan, with the forecast of the recovery of domestic and international passenger numbers published by third party organizations and airlines; and ● verified the results of the analysis, which was conducted by management, of the correlation between the data of the operating revenues of JALUX Airport Inc. and the data of the passenger numbers published by airlines.

current fiscal year, and accordingly, a key audit matter.	

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on fixed assets used in the airport shop business	
The key audit matter	**How the matter was addressed in our audit**
Property and equipment and intangible assets were recorded at ¥4,472,842 thousand and ¥593,302 thousand, respectively, in the consolidated balance sheets of the Company and its consolidated subsidiaries as of March 31, 2021. Included therein were ¥843,046 thousand of fixed assets related to the airport shop business, which was included in the retail business segment, as described in Note 2, "Significant Accounting Estimates," accounting for 2% of total assets in the consolidated financial statements. If there is any indication of impairment for these fixed assets, the Company needs to determine the necessity of recognizing impairment losses by comparing the total undiscounted future cash flows from the asset groups with their carrying value. As a result of the determination, if the recognition of impairment losses is deemed necessary, the carrying value is reduced to the recoverable value. At the same time, the reduction of carrying value is recognized as impairment losses. Due to the spread of the novel COVID-19, the number of airline flights decreased, international travel was banned worldwide, and domestic travel was restricted, which resulted in the decrease in the number of airport users. The airport shop business has faced a significant downturn in business. The Company groups the airport shop business based on each airport as a basic unit. If there is any indication of impairment on an airport, the Company determines the necessity of recognizing impairment losses for the current consolidated fiscal year. In the impairment testing, future cash flows were estimated based on the business plan per airport	The primary procedures we performed to assess the appropriateness of management's judgment as to the recognition of an impairment loss on fixed assets used in the airport shop business included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimates of future cash flows used in the determination of the recognition of impairment losses on fixed assets. **(2) Assessment of the reasonableness of the estimates of future cash flows** In order to assess the reasonableness of key assumptions adopted in estimating future cash flows, among others, we: ● inspected materials related to the business plan per airport, which formed the basis for estimating the future cash flows, as well as inquired of management about the basis for preparing the business plan; ● compared the increase in domestic and international passenger numbers due to the containment of COVID-19, which was taken into account in the forecast of the future operating revenues included in the business plan, with the forecast of the recovery of domestic and international passenger numbers published by third party organizations and airlines; and ● verified the results of the analysis, which was conducted by management, of the correlation between the data of the operating revenues of the airport shop business and the data of the passenger numbers published by airlines.

prepared by management. The forecast of future operating revenues included in the business plan took into account the increase of domestic and international passenger numbers due to the containment of COVID-19 as a key assumption. Therefore, the estimate involved a high degree of uncertainty. We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on fixed assets used in the airport shop business was one of the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditorsare responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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 6 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Daisuke Yamada

Designated Engagement Partner

Certified Public Accountant

Nobuo Shibata

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 31, 2021

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 6)*
Assets			
Current assets:			
Cash and time deposits *(Notes 19 and 23)*	¥ 8,466,348	¥ 6,175,441	$ 76,273
Trade notes and accounts receivable *(Notes 19 and 25)*	10,902,123	22,106,818	98,217
Inventories *(Note 7)*	15,627,297	15,921,436	140,786
Accounts receivable - other *(Note 19)*	3,018,935	2,733,013	27,198
Others	2,783,191	1,832,571	25,074
Allowance for doubtful accounts	(9,610)	(3,813)	(87)
Total current assets	40,788,286	48,765,467	367,462
Property and equipment *(Notes 8, 14, 17 and 22)*:			
Buildings and structures	1,986,040	2,098,428	17,892
Machinery and vehicles	1,161,622	1,372,708	10,465
Land	845,745	861,962	7,619
Construction in process	2,732	53,703	25
Others	476,700	880,033	4,295
Property and equipment, net	4,472,842	5,266,836	40,296
Intangible assets:			
Software *(Note 14)*	565,184	643,650	5,092
Others	28,117	30,158	253
Total intangible assets	593,302	673,808	5,345
Investments and other assets:			
Investment securities *(Notes 9, 19 and 20)*	2,714,608	3,152,371	24,456
Long-term loans receivable	4,933	19,155	44
Long-term guarantee deposit *(Note 19)*	2,233,883	2,334,474	20,125
Deferred tax assets *(Note 15)*	1,108,770	471,658	9,989
Asset for retirement benefits *(Note 11)*	220,290	1,730	1,985
Others	153,958	170,395	1,387
Allowance for doubtful accounts	(14,851)	(11,157)	(134)
Total investments and other assets	6,421,592	6,138,628	57,852
Total assets	¥ 52,276,023	¥ 60,844,741	$ 470,955

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 6)*
Liabilities and net assets			
Current liabilities:			
Trade notes and accounts payable *(Notes 19 and 25)*	¥ 6,862,235	¥ 10,668,290	$ 61,822
Short-term borrowings and current portion of long-term debt *(Notes 10 and 19)*	3,049,764	7,796,865	27,475
Commercial papers *(Notes 10 and 19)*	6,997,817	5,999,788	63,043
Accrued income taxes	106,075	167,263	956
Accrued expenses *(Note 19)*	2,949,903	4,670,758	26,576
Others *(Note 10)*	3,193,574	2,401,342	28,771
Total current liabilities	23,159,370	31,704,308	208,643
Long-term liabilities:			
Long-term debt *(Notes 10 and 19)*	3,838,750	502,806	34,583
Liability for retirement benefits *(Note 11)*	21,566	28,724	194
Deferred tax liabilities *(Note 15)*	7,339	7,767	66
Others	563,487	554,523	5,076
Total long-term liabilities	4,431,143	1,093,822	39,920
Total liabilities	27,590,513	32,798,130	248,563
Net assets *(Note 12)*:			
Shareholders' equity:			
Common stock	2,558,550	2,558,550	23,050
Capital surplus	688,723	688,723	6,205
Retained earnings	20,718,198	23,717,113	186,650
Common stock in treasury	(135,376)	(135,373)	(1,220)
Total shareholders' equity	23,830,095	26,829,013	214,686
Accumulated other comprehensive income:			
Net unrealized gain (loss) on other securities, net of taxes *(Note 20)*	15,629	780	141
Deferred gain or loss on hedges, net of taxes *(Note 21)*	95,776	(10,630)	863
Translation adjustments	(539,203)	(369,650)	(4,858)
Retirement benefits liability adjustments *(Note 11)*	63,167	(111,618)	569
Total accumulated other comprehensive income	(364,629)	(491,119)	(3,285)
Non-controlling interests	1,220,043	1,708,717	10,991
Total net assets	24,685,509	28,046,611	222,392
Total liabilities and net assets	¥ 52,276,023	¥ 60,844,741	$ 470,955

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Operations

	Years ended March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 6)*
Operating revenues *(Notes 24 and 25)*	¥ 80,346,673	¥ 144,688,049	$ 723,844
Operating expenses *(Notes 24 and 25)*:			
Cost of sales	67,828,173	118,847,293	611,065
Selling, general and administrative expenses	15,433,996	21,870,919	139,045
	83,262,169	140,718,213	750,110
Operating income (loss)	(2,915,495)	3,969,836	(26,266)
Non-operating income (expenses):			
Interest income *(Note 24)*	3,328	3,085	30
Interest expense *(Note 24)*	(107,814)	(98,223)	(971)
Equity in earnings (losses) of affiliates *(Note 24)*	(469,893)	687,274	(4,233)
Others, net *(Note 13)*	(121,377)	(6,958)	(1,093)
	(695,756)	585,177	(6,268)
Net profit (loss) before income taxes	(3,611,252)	4,555,014	(32,534)
Income taxes *(Note 15)*:			
Current	165,802	983,705	1,494
Refund	(278,892)	–	(2,513)
Deferred	(769,824)	150,836	(6,935)
	(882,913)	1,134,542	(7,954)
Net profit (loss)	(2,728,338)	3,420,471	(24,580)
Net profit (loss) attributable to:			
Non-controlling interests	(361,987)	339,386	(3,261)
Owners of the Company	¥ (2,366,350)	¥ 3,081,085	$ (21,318)

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Years ended March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 6)*
Net profit (loss)	¥ (2,728,338)	¥ 3,420,471	$ (24,580)
Other comprehensive income:			
Net unrealized holding gain (loss) on other securities, net of taxes	14,220	(13,737)	128
Deferred gain or loss on hedges, net of taxes	106,407	7,301	959
Translation adjustments	(145,550)	(53,771)	(1,311)
Retirement benefits liability adjustments, net of taxes	174,786	(60,734)	1,575
Share of other comprehensive income of companies accounted for by the equity method	(30,059)	72,996	(271)
Total other comprehensive income *(Note 16)*	119,804	(47,944)	1,079
Comprehensive income	¥ (2,608,533)	¥ 3,372,526	$ (23,500)
Comprehensive income attributable to:			
Owners of the Company	¥ (2,239,860)	¥ 3,031,740	$ (20,179)
Non-controlling interests	¥ (368,673)	¥ 340,786	$ (3,321)

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

								(Thousands of yen)			
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Net unrealized holding gain (loss) on other securities, net of taxes *(Note 20)*	Deferred gain or loss on hedges, net of taxes *(Note 21)*	Translation adjustments	Retirement benefits liability adjustments *(Note 11)*	Non-controlling interests	Total net assets
Balance at March 31, 2019	12,775,000	¥ 2,558,550	¥ 688,723	¥ 21,458,367	¥ (135,155)	¥ 19,295	¥ (17,932)	¥ (392,253)	¥ (50,884)	¥ 1,922,592	¥ 26,051,302
Cash dividends *(Note 12)* (¥65 per share)				(822,339)							(822,339)
Net income for the year ended March 31, 2020				3,081,085							3,081,085
Purchase of common stock in treasury					(217)						(217)
Others						(18,515)	7,301	22,603	(60,734)	(213,875)	(263,220)
Balance at March 31, 2020	12,775,000	¥ 2,558,550	¥ 688,723	¥ 23,717,113	¥ (135,373)	¥ 780	¥ (10,630)	¥ (369,650)	¥ (111,618)	¥ 1,708,717	¥ 28,046,611
Cash dividends *(Note 12)* (¥50 per share)				(632,564)							(632,564)
Net loss for the year ended March 31, 2021				(2,366,350)							(2,366,350)
Purchase of common stock in treasury					(2)						(2)
Others						14,849	106,407	(169,553)	174,786	(488,673)	(362,183)
Balance at March 31, 2021	12,775,000	¥ 2,558,550	¥ 688,723	¥ 20,718,198	¥ (135,376)	¥ 15,629	¥ 95,776	¥ (539,203)	¥ 63,167	¥ 1,220,043	¥ 24,685,509

								(Thousands of U.S. dollars) (Note 6)			
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Net unrealized holding gain (loss) on other securities, net of taxes *(Note 20)*	Deferred gain or loss on hedges, net of taxes *(Note 21)*	Translation adjustments	Retirement benefits liability adjustments *(Note 11)*	Non-controlling interests	Total net assets
Balance at March 31, 2020	12,775,000	$ 23,050	$ 6,205	$ 213,668	$ (1,220)	$ 7	$ (96)	$ (3,330)	$ (1,006)	$ 15,394	$ 252,672
Cash dividends *(Note 12)* ($0.45 per share)				(5,699)							(5,699)
Net loss for the year ended March 31, 2021				(21,318)							(21,318)
Purchase of common stock in treasury					(0)						(0)
Others						134	959	(1,528)	1,575	(4,402)	(3,263)
Balance at March 31, 2021	12,775,000	$ 23,050	$ 6,205	$ 186,650	$ (1,220)	$ 141	$ 863	$ (4,858)	$ 569	$ 10,991	$ 222,392

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Years ended March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 6)*
Operating activities			
Net profit (loss) before income taxes	¥ (3,611,252)	¥ 4,555,014	$ (32,534)
Depreciation and amortization	987,778	1,006,851	8,899
Increase (decrease) in provision for allowance for doubtful accounts	9,725	(21,274)	88
Decrease (increase) in asset for retirement benefits	(24,541)	(26,434)	(221)
Increase (decrease) in liability for retirement benefits	(6,323)	9,749	(57)
Interest and dividend income	(101,211)	(30,093)	(912)
Interest expense	107,814	98,223	971
Exchange loss (gain), net	(18,201)	21,333	(164)
Equity in earnings (losses) of affiliates	469,893	(687,274)	4,233
Subsidy income	(956,819)	–	(8,620)
Loss (gain) on sales of, and loss on disposal of property and equipment	49,914	26,293	450
Impairment losses on fixed assets	325,228	80,822	2,930
Loss (gain) on sales of subsidiary securities *(Note 23)*	–	32,191	–
Loss (gain) on sales of affiliates securities	–	48,601	–
Loss (gain) on sales of investments in securities	(99)	(3,360)	(1)
Decrease (increase) in notes and accounts receivable	10,960,328	(259,272)	98,742
Decrease (increase) in inventories	233,748	(1,863,574)	2,106
Increase (decrease) in notes and accounts payable	(3,724,658)	2,159,747	(33,555)
Decrease (increase) in advance payment	(891,503)	(398,928)	(8,032)
Increase (decrease) in advance received	319,086	(79,327)	2,875
Increase (decrease) in accrued expenses	(1,721,081)	(1,079,097)	(15,505)
Decrease (increase) in bad debts on receivables	(3,657)	3,513	(33)
Others, net	484,476	(567,720)	4,365
Subtotal	2,888,643	3,025,982	26,024
Interest and dividends received	152,783	408,885	1,376
Interest paid	(104,017)	(99,284)	(937)
Subsidy received	956,819	–	8,620
Income taxes refund (paid)	(68,561)	(1,847,106)	(618)
Net cash provided by (used in) operating activities	3,825,667	1,488,476	34,465
Investing activities			
Purchases of property and equipment	(425,089)	(1,956,365)	(3,830)
Proceeds from sales of property and equipment	388	6,450	3
Purchases of intangible assets	(192,918)	(321,119)	(1,738)
Proceeds from sales of intangible assets	82	580	1
Purchases of investments in securities	(50,310)	(216,673)	(453)
Proceeds from sales of investments in securities	99	17,437	1
Purchases of affiliates securities	–	(33,000)	–
Proceeds from sales of affiliates securities	–	462,081	–
Payments from changes in ownership interests in subsidiaries that result in change in scope of consolidation *(Note 23)*	–	(229,414)	–
Payments of long-term loans receivable	(2,030)	–	(18)
Collection of long-term loans	21,343	13,612	192
Increase in long-term guarantee deposit	(125,290)	(437,053)	(1,129)
Decrease in long-term guarantee deposit	195,828	52,270	1,764

Others, net	(14,386)	(103,163)	(130)
Net cash provided by (used in) investing activities	(592,282)	(2,744,356)	(5,336)
Financing activities			
Increase (decrease) in short-term borrowings, net	(5,223,070)	428,230	(47,055)
Increase (decrease) in commercial papers, net	998,029	2,999,791	8,991
Proceeds from long-term loans	4,780,000	–	43,063
Repayment of long-term loans	(824,588)	(876,537)	(7,429)
Proceeds from share issuance to non-controlling shareholders	–	54,106	–
Dividends paid to stockholders	(632,823)	(821,984)	(5,701)
Dividends paid to minority stockholders	–	(340,000)	–
Others, net	(14,586)	(25,067)	(131)
Net cash provided by (used in) financing activities	(917,039)	1,418,538	(8,262)
Effect of exchange rate changes on cash and cash equivalents	(25,133)	(34,279)	(226)
Net increase (decrease) in cash and cash equivalents	2,291,212	128,378	20,642
Cash and cash equivalents at the beginning of the year	6,171,679	6,043,301	55,601
Cash and cash equivalents at the end of the year *(Note 23)*	¥ 8,462,892	¥ 6,171,679	$ 76,242

The accompanying notes are an integral part of these statements.

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 from 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, and 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 match 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 13 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 to March 31 have been adjusted, if necessary, for the corresponding 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 gross 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 gain or loss 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 weighted average method
Real estate held for sale	–	by the specific identification method Real estates under lease are depreciated by applying the method of tangible fixed assets.

f. Property and equipment

For the Company and the domestic consolidated subsidiaries, depreciation of the shops at 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 foreign consolidated 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 over 5 years by the straight-line method based on its estimated useful life.

h. Leased assets

Leased assets arising from transactions under finance lease agreements which do not transfer the ownership to the lessee are depreciated to residual value of zero by the straight-line method over the terms of the agreements.

1. Summary of Significant Accounting Policies (continued)

i. Allowance for doubtful accounts

The allowance for doubtful accounts on specific receivables is provided based on 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.

j. Retirement benefits

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.

k. 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.

l. 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. Significant Accounting Estimates

a. Recoverability of deferred tax assets

① The amount recorded in the consolidated financial statements for the current consolidated fiscal year

Deferred tax assets ¥709,001 thousand ($6,387 thousand)

② Information that contributes to understanding the details of the significant accounting estimates for the identified items

JALUX Airport Inc., which is included in the Retail business segment, has tax loss carryforwards which is assessed to be recoverable within the expiration period based on business plans of JALUX Airport Inc. As a result, deferred tax assets related to the tax loss carryforwards were recorded.
A deferred tax asset is recognized for the carryforward of unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.
Business plans used to assess the recoverability of JALUX Airport Inc.'s deferred tax assets were considered with the increase in domestic and international passenger numbers due to containment of COVID-19 as the main assumption.
Regarding impacts on business environment of the Company and its consolidated subsidiaries (the "Group") due to the spread of COVID-19, the number of domestic passengers is assumed to recover from the second quarter of the following fiscal year, while continuing to be affected by COVID-19 for the full fiscal year.
On the other hand, the number of international passengers is assumed to be gradually recovering from the second half of the following fiscal year, though the environment will remain severe.
There is high uncertainty on these major assumptions due to the trend of spread of COVID-19 and possibility of a significant impact on future taxable income estimates.

2. Significant Accounting Estimates (continued)

b. Evaluation of inventories

① The amount recorded in the consolidated financial statements for the current consolidated fiscal year

Cost of sales ¥477,623 thousand ($4,303 thousand)

② Information that contributes to understanding the details of the significant accounting estimates for the identified items

JALUX AMERICAS, Inc., which is included in the Aviation & airport business segment, has the inventories of aircraft parts that have been purchased more than two years ago, for which the net selling value has been re-evaluated . As a result, the net selling value became lower than the carrying value, and a loss on valuation of inventories was recorded.
The carrying value of the inventories after the re-evaluation is ¥110,357 thousand ($994 thousand).
The valuation method for inventories of JALUX AMERICAS, Inc. is mainly the cost method based on the specific identification method (balance sheet value is calculated by the method of devaluing carrying value based on the decline in profitability).
In evaluating the recoverable value, the decline in profitability of products is examined based on the net selling value.
The calculation of the net selling value of the inventories was considered with past transaction records and the latest prices estimated by external institutions as the main assumptions.
There is high uncertainty on these assumptions due to the actual demand or worsening market conditions in the future and possibility of a significant impact on the valuation of inventories.

2. Significant Accounting Estimates (continued)

c. Necessity of recognizing impairment losses on fixed assets

(1) Airport shops

① The amount recorded in the consolidated financial statements for the current consolidated fiscal year

Impairment losses on fixed assets ¥32,986 thousand ($297 thousand)

② Information that contributes to understanding the details of the significant accounting estimates for the identified items

Regarding the airport shop business, which is included in the Retail business segment, due to the continuous operating losses at some airports, the Company determined that there were indications of impairment and reviewed the necessity of recognizing impairment losses.
As a result of the review, for some airports, it was determined that the undiscounted future cash flows would be less than the carrying value of fixed assets of ¥32,986 thousand ($297 thousand) (property and equipment: ¥32,984 thousand ($297 thousand); intangible assets: ¥1 thousand ($0 thousand)); therefore, impairment losses were recorded.

The carrying value of fixed assets for the airport shop business after recording the impairment losses is ¥843,046 thousand ($7,595 thousand) (property and equipment: ¥840,298 thousand ($7,570 thousand); intangible assets: ¥2,748 thousand ($25 thousand)).
The Group bases its grouping for assessing the impairment losses 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.
The airport shop business is categorized based on the airport as a basic unit.
If there is any indication of impairment, the Company determines the necessity of recognizing impairment losses by comparing the total undiscounted future cash flows from the asset groups with their carrying value.
As a result of the determination, if the total amount of undiscounted future cash flows is less than the carrying value and it is necessary to recognize impairment losses, the carrying value is reduced to the recoverable value (the higher of the net selling price and its value in use).
At the same time, the reduction of carrying value is recognized as impairment losses.
Estimates of future cash flows for the airport shop business are based on future business plans and considered with the increase in domestic and international passenger numbers due to containment of COVID-19 as the main assumption.
Regarding impacts on the Group's business environment due to the spread of COVID-19, the number of domestic passengers is assumed to recover from the second quarter of the following fiscal year, while continuing to be affected by COVID-19 for the full fiscal year.
On the other hand, the number of international passengers is assumed to be gradually recovering from the second half of the following fiscal year, though the environment will remain severe.
There is high uncertainty on these major assumptions due to the trend of spread of COVID-19 and possibility of a significant impact on future cash flow estimates.

2. Significant Accounting Estimates (continued)

(2) The overseas serviced apartment

① The amount recorded in the consolidated financial statements for the current consolidated fiscal year

Impairment losses on fixed assets	-

② Information that contributes to understanding the details of the significant accounting estimates for the identified items

Regarding the overseas serviced apartment, which is included in the Life service business segment, due to the continuous operating losses, the Company determined that there were indications of impairment and reviewed the necessity of recognizing impairment losses.
As a result of the review, it was determined that the undiscounted future cash flows would be higher than the carrying value of fixed assets of ¥1,084,129 thousand ($9,767 thousand) (property and equipment: ¥1,084,129 thousand ($9,767 thousand)); therefore, no impairment loss was recorded.
The Group bases its grouping for assessing the impairment losses 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.
The overseas serviced apartment business is categorized based on the business as a basic unit.
If there is any indication of impairment, the Company determines the necessity of recognizing impairment losses by comparing the total undiscounted future cash flows from the asset group with its carrying value.
As a result of the determination, if the total amount of undiscounted future cash flows is less than the carrying value and it is necessary to recognize impairment losses, the carrying value is reduced to the recoverable value (the higher of the net selling price and its value in use).
At the same time, the reduction of carrying value is recognized as impairment losses.
Estimates of future cash flows for the overseas serviced apartment business are based on future business plans and considered with the future operation rate (occupancy rate) as the main assumption.
There is high uncertainty on these major assumptions due to the cancellation, trends of competitors, striking deterioration of market environment, etc. and possibility of a significant impact on future cash flow estimates.

3. Unapplied Accounting Standards

(Standards and guidance not yet adopted)
The following standard and guidance were issued but not yet adopted.
- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview
The above standard and guidance provide comprehensive principles for revenue recognition.

(2) Effective date
They are effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standard and guidance
Regarding the application of "Accounting Standard for Revenue Recognition", etc., in reference to transitional measures stated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, retained earnings at the beginning of the fiscal year ending March 31, 2022 shall be adjusted by cumulative impact when the new accounting policy shall be applied before the beginning of the fiscal year. The effects of these new standard and guidance on retained earnings at the beginning of the fiscal year are immaterial.

4. Changes in Presentation Method

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")
The Company and its subsidiaries adopted ASBJ Statement No. 31 "Accounting Standard for Disclosure of Accounting Estimates" (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the notes to the consolidated financial statements.
The notes do not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in Paragraph 11 of the Accounting Standard for Disclosure of Accounting Estimates.

5. Additional Information

(Accounting procedures associated with the consolidated taxation system)
The Company and its certain domestic consolidated subsidiaries have applied for the consolidated taxation system approval during the current consolidated fiscal year and the system will be adopted from the following consolidated fiscal year. Therefore, accounting procedures in the current consolidated fiscal year are based on the application of the system in accordance with "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (ASBJ - PITF No. 5, January 16, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ - PITF No. 7, January 16, 2015).

6. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥111.00 = $1.00, the approximate exchange rate prevailing on March 31, 2021, has been used. The inclusion of such amounts is not intended to imply that yen has been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

7. Inventories

Inventories at March 31, 2021 and 2020 were as follows:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished products	¥ 15,161,964	¥ 15,590,646	$ 136,594
Real estate held for sale	416,085	268,468	3,749
Raw materials and supplies	49,247	62,321	444
	¥ 15,627,297	¥ 15,921,436	$ 140,786

Revaluation loss included in “Cost of sales” amounted to ¥668,944 thousand ($6,027 thousand), “Others, net” in “Non-operating income (expenses)” amounted to ¥26,960 thousand ($243 thousand) and “Cost of sales” amounted to ¥46,644 thousand for the years ended March 31, 2021 and 2020.

8. Property and Equipment

The following table sets forth the acquisition costs and related accumulated depreciation of certain property and equipment at March 31, 2021 and 2020:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Buildings and structures	¥ 3,580,681	¥ 3,489,430	$ 32,258
Machinery and vehicles	2,181,202	2,177,701	19,650
Others	1,611,514	1,896,565	14,518
	7,373,398	7,563,698	66,427
Accumulated depreciation	(3,749,035)	(3,212,528)	(33,775)
	¥ 3,624,363	¥ 4,351,170	$ 32,652

9. Investments and Other Assets

Investments in unconsolidated subsidiaries and affiliates included in “Investment securities” as of March 31, 2021 and 2020 amounted to ¥1,932,507 thousand ($17,410 thousand) and ¥2,486,974 thousand, respectively.

10. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt at March 31, 2021 and 2020 consisted of the following:

	March 31, 2021	March 31, 2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Short-term borrowings:			
Short-term borrowings without collateral, with weighted-average interest rate of 1.14%	¥2,031,226	¥7,367,908	$18,299
Commercial papers	6,997,817	5,999,788	63,043
	¥ 9,029,044	¥ 13,367,697	$ 81,343
Long-term debt:			
Long-term debt without collateral, due 2021 to 2026, with weighted-average interest rate of 0.79%	¥4,857,287	¥931,763	$43,759
Lease obligations	18,326	30,333	165
	4,875,613	962,096	43,924
Less current portion	(1,028,346)	(443,486)	(9,264)
	¥ 3,847,267	¥ 518,610	$ 34,660

The aggregate annual maturities of long-term debt subsequent to March 31, 2021 are summarized as follows:

Year ending March 31,	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
2022	¥ 1,018,537	$ 9,176
2023	864,687	7,790
2024	1,774,062	15,983
2025	800,000	7,207
2026	400,000	3,604
	¥ 4,857,287	$ 43,759

The aggregate annual maturities of lease obligations subsequent to March 31, 2021 are summarized as follows:

Year ending March 31,	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
2022	¥ 9,808	$ 88
2023	5,918	53
2024	2,081	19
2025	517	5
	¥ 18,326	$ 165

10. 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 smooth operations.

The outstanding balances of loan commitments as of March 31, 2021 and 2020 were as follows:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Total commitment available	¥8,700,000	¥6,000,000	$78,378
Less amount utilized	–	–	–
Balance available	¥8,700,000	¥6,000,000	$78,378

11. Retirement Benefit Plan

The Company and certain consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution plans. The defined benefit plans cover 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 the simplified method

The changes in the retirement benefit obligation during the years ended March 31, 2021 and 2020 were as follows:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 2,532,092	¥ 2,484,034	$ 22,812
Service cost	127,854	123,333	1,152
Interest cost	20,763	20,369	187
Adjustment for actuarial assumptions	5,439	16,018	49
Retirement benefit paid	(216,832)	(111,663)	(1,953)
Balance at the end of the year	¥ 2,469,316	¥ 2,532,092	$ 22,246

The changes in plan assets during the years ended March 31, 2021 and 2020 were as follows:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥2,533,822	¥2,559,937	$22,827
Expected return on plan assets	63,345	63,998	571
Adjustment for actuarial assumptions	199,457	(84,588)	1,797
Contributions by the Company	109,813	106,138	989
Retirement benefit paid	(216,832)	(111,663)	(1,953)
Balance at the end of the year	¥2,689,606	¥2,533,822	$24,231

11. Retirement Benefit Plan (continued)

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2021 and 2020 for the Company's defined benefit plans:

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 2,469,316	¥ 2,532,092	$ 22,246
Plan assets at fair value	(2,689,606)	(2,533,822)	(24,231)
	(220,290)	(1,730)	(1,985)
Unfunded retirement benefit obligation	–	–	–
Net asset for retirement benefits in the balance sheet	(220,290)	(1,730)	(1,985)
Liability for retirement benefits	–	–	–
Asset for retirement benefits	(220,290)	(1,730)	(1,985)
Net asset for retirement benefits in the balance sheet	¥ (220,290)	¥ (1,730)	$ (1,985)

The components of retirement benefit expenses for the years ended March 31, 2021 and 2020 were as follows:

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 127,854	¥ 123,333	$ 1,152
Interest cost	20,763	20,369	187
Expected return on plan assets	(63,345)	(63,998)	(571)
Amortization of adjustment for actuarial assumptions	57,907	13,068	522
Retirement benefit expense	¥ 143,179	¥ 92,773	$ 1,290

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2020 were as follows:

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Adjustment for actuarial assumptions	¥ (251,926)	¥ 87,538	$ (2,270)
Total	¥ (251,926)	¥ 87,538	$ (2,270)

11. Retirement Benefit Plan (continued)

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2020 were as follows:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Unrecognized adjustment for actuarial assumptions	¥ (91,045)	¥ 160,880	$ (820)
Total	¥ (91,045)	¥ 160,880	$ (820)

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 and 2020 were as follows:

	March 31,	
	2021	**2020**
Bonds	20.4%	21.2%
Stocks	25.3	19.8
General account assets	52.2	57.0
Others	2.1	2.0
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 assumptions used in accounting for the above plans were as follows:

	March 31,	
	2021	**2020**
Discount rate	0.8%	0.8%
Expected rates of return on plan assets	2.5%	2.5%
Salary increase rate	1.0%～4.5%	1.0%～4.7%

11. 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 years ended March 31, 2021 and 2020 were as follows:

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 28,724	¥ 43,928	$ 259
Retirement benefit expense	14,114	26,133	127
Retirement benefit paid	(6,533)	(4,402)	(59)
Contribution to pension plans	(13,920)	(12,140)	(125)
Translation adjustment	(819)	2,193	(7)
Decrease resulting from change in scope of consolidation	–	(26,988)	–
Balance at the end of the year	¥ 21,566	¥ 28,724	$ 194

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2021 and 2020 for consolidated subsidiaries adopting the simplified method:

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 135,708	¥ 131,922	$ 1,223
Plan assets at fair value	(135,155)	(125,065)	(1,218)
	552	6,856	5
Unfunded retirement benefit obligation	21,013	21,867	189
Net liability for retirement benefits in the balance sheet	21,566	28,724	194
Liability for retirement benefits	21,566	28,724	194
Net liability for retirement benefits in the balance sheet	¥ 21,566	¥ 28,724	$ 194

Retirement benefit expenses for the simplified method of ¥14,114 thousand ($127 thousand) and ¥26,133 thousand were accounted for the years ended March 31, 2021 and 2020, respectively.

Defined contribution plans

Contributions made to defined contribution plans for the years ended March 31, 2021 and 2020 were ¥148,026 thousand ($1,334 thousand) and ¥145,711 thousand, respectively.

12. 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 its unconsolidated financial statements 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, 2021 and 2020 were as follows:

	Year ended March 31, 2021			
	At March 31, 2020	Increase	Decrease	At March 31, 2021
		(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	131	0	–	131

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.

12. Net Assets (continued)

	Year ended March 31, 2020			
	At March 31, 2019	Increase	Decrease	At March 31, 2020
	(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	131	0	–	131

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 16, 2020	Common stock	¥632,564	$5,699	¥50.0	$0.45	March 31, 2020	June 17, 2020

13. Other Income (Expenses)

The components of "Others, net" in "Non-operating income (expenses)" in the period ended March 31, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Dividends received	¥ 97,882	¥ 27,007	$ 882
Exchange gain (loss), net	(17,381)	64,000	(157)
Gain on sales of property and equipment	–	807	–
Gain on sales of subsidiary securities	–	9,630	–
Loss on sales of subsidiary securities	–	(41,822)	–
Loss on sales of affiliates securities	–	(48,601)	–
Gain on sales of investments in securities	99	3,360	1
Subsidy income	956,819	–	8,620
Commission paid	(22,166)	(12,559)	(200)
Loss on sales and disposal of property and equipment	(49,914)	(27,100)	(450)
Impairment losses on fixed assets	(325,228)	(80,822)	(2,930)
Loss due to temporary store closures	(726,376)	–	(6,544)
Others, net	(35,112)	99,141	(316)
	¥ (121,377)	¥ (6,958)	$ (1,093)

14. Impairment of Fixed Assets

For the year ended March 31, 2021, the Company and a consolidated subsidiary recognized impairment losses on fixed assets of ¥325,228 thousand ($2,930 thousand), and for the year ended March 31, 2020 the Company recognized impairment losses on fixed asset of ¥80,822 thousand, which consisted of the following:

			Years ended March 31,		
Location	**Use**	**Classification**	**2021**	**2020**	**2021**
			(Thousands of yen)		*(Thousands of U.S. dollars)*
Obihiro-shi, Hokkaido	Airport shops	Furniture and other	–	¥ 21,156	–
Kushiro-shi, Hokkaido	Airport shops	Furniture and other	–	19,305	–
Hakodate-shi, Hokkaido	Airport shops	Buildings and other	–	14,319	–
Matsuyama-shi, Ehime	Airport shops	Buildings and other	–	13,446	–
Omura-shi, Nagasaki	Airport shops	Buildings and other	–	8,754	–
Chiyoda-ku, Tokyo	Souvenir and sweets shops	Furniture and other	–	3,838	–
Singapore	Business assets	Machinery and vehicles	¥ 209,694	–	$ 1,889
Minato-ku, Tokyo	Business assets	Software, Buildings and other	76,325	–	688
Izumisano-shi, Osaka	Airport shops	Buildings and other	31,859	–	287
U.S.A. (Santa Anita)	Business assets	Buildings	5,502	–	50
Omitama-shi, Ibaraki	Airport shops	Buildings	941	–	8
U.S.A. (Las Vegas)	Business assets	Buildings	718	–	6
Kitakyusyu-shi, Fukuoka	Airport shops	Buildings and other	110	–	1
Izumo-shi, Shimane	Airport shops	Furniture	74	–	1

The Company and its consolidated subsidiaries base their grouping for assessing the impairment losses 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 and souvenir and sweets shops were recognized due to the significant decrease in expected future cash flows on the strategy plan for the years ended March 31, 2021 and 2020.

The recoverable amount of each group of assets was measured by their usage value or net realizable value and the non-recoverable amount was estimated by deducting future cash flows for the years ended March 31, 2021 and 2020. Net realizable value was estimated by the expected sales amount.

15. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued bonuses	¥ 103,929	¥ 224,127	$ 936
Allowance for doubtful accounts	6,642	4,204	60
Liability for retirement benefits	3,063	53,574	28
Impairment losses on fixed assets	58,822	30,846	530
Accrued enterprise tax	9,638	19,156	87
Elimination of unrecognized gain on intercompany accounts and transactions	54,242	86,089	489
Loss on revaluation of inventories	64,806	14,828	584
Loss on revaluation of investments in securities	106	1,637	1
Tax loss carryforwards(*)	1,192,440	355,976	10,743
Deferred gain or loss on hedges	–	4,691	–
Asset retirement obligation	36,959	38,110	333
Others	171,256	153,606	1,543
	1,701,908	986,849	15,333
Valuation allowance for tax loss carryforwards(*)	(201,328)	(160,820)	(1,814)
Valuation allowance for deductible temporary differences	(65,694)	(24,244)	(592)
Valuation allowance	(267,023)	(185,064)	(2,406)
Total deferred tax assets	1,434,884	801,784	12,927
Deferred tax liabilities:			
Accumulated retained earnings of consolidated subsidiaries	(121,270)	(201,396)	(1,093)
Asset for retirement benefits	(67,452)	(49,791)	(608)
Cost of asset retirement obligation	(15,423)	(20,363)	(139)
Deferred gain or loss on hedges	(42,269)	–	(381)
Others	(87,037)	(66,342)	(784)
Total deferred tax liabilities	(333,454)	(337,893)	(3,004)
Net deferred tax assets	¥ 1,101,430	¥ 463,890	$ 9,923

15. Income Taxes (continued)

(*)Tax loss carryforwards and its deferred tax assets by expiration period

(March 31 ,2021) *(Thousands of yen)*

	2022	2023	2024	2025	2026	2027 and beyond	Total
Tax loss carryforwards (a)	796	14,430	23,362	36,245	23,154	1,094,452	1,192,440
Valuation allowance	(796)	(14,430)	(23,362)	(36,245)	(23,154)	(103,340)	(201,328)
Net deferred tax assets	–	–	–	–	–	991,111	(b)991,111

(March 31, 2021) *(Thousands of U.S. dollars)*

	2022	2023	2024	2025	2026	2027 and beyond	Total
Tax loss carryforwards (a)	7	130	210	327	209	9,860	10,743
Valuation allowance	(7)	(130)	(210)	(327)	(209)	(931)	(1,814)
Net deferred tax assets	–	–	–	–	–	8,929	(b)8,929

(a) Tax loss carryforwards shown in the above table is after multiplying the statutory tax rate.

(b) Deferred tax assets amounting to ¥991,111 thousand ($8,929 thousand) were recognized for tax loss carryforwards of ¥1,192,440 thousand ($10,743 thousand) (amount multiplied by the statutory tax rate). The deferred tax assets amounting to ¥991,111 thousand ($8,929 thousand) were recognized for a part of tax loss carryforwards of ¥741,160 thousand ($6,677 thousand) by the consolidated subsidiary JALUX Airport Inc. and all of tax loss carryforwards of ¥29,858 thousand ($269 thousand) by the consolidated subsidiary JAL-DFS Co., Ltd., ¥81,727 thousand ($736 thousand) by the consolidated subsidiary JAPAN Airport Delica Inc., ¥122,260 thousand ($1,101 thousand) by the consolidated subsidiary JALUX AMERICAS, Inc., ¥48,264 thousand ($435 thousand) by the consolidated subsidiary JALUX SINGAPORE PTE. LTD..

The tax loss carryforwards by JALUX Airport Inc. for which the deferred tax asset was recognized arose in relation to loss before income taxes of ¥410,060 thousand ($3,694 thousand) and ¥1,692,397 thousand ($15,247 thousand) recorded for the year ended March 31, 2020 and 2021. No valuation allowance is recognized for the tax loss carryforwards since the amount was determined to be recoverable based on the expected future taxable income.

The tax loss carryforwards by JAL-DFS Co., Ltd. for which the deferred tax asset was recognized arose in relation to loss before income taxes of ¥808,090 thousand ($7,280 thousand) recorded for the year ended March 31, 2021. No valuation allowance is recognized for the tax loss carryforwards since the amount was determined to be recoverable based on the expected future taxable income.

The tax loss carryforwards by JAPAN Airport Delica Inc. for which the deferred tax asset was recognized arose in relation to loss before income taxes of ¥338,621 thousand ($3,051 thousand) recorded for the year ended March 31, 2021. No valuation allowance is recognized for the tax loss carryforwards since the amount was determined to be recoverable based on the expected future taxable income.

15. Income Taxes (continued)

The tax loss carryforwards by JALUX AMERICAS, Inc. for which the deferred tax asset was recognized arose in relation to loss before income taxes of ¥768,424 thousand ($6,923 thousand) recorded for the year ended December 31, 2020. No valuation allowance is recognized for the tax loss carryforwards since the amount was determined to be recoverable based on the expected future taxable income.
The tax loss carryforwards by JALUX SINGAPORE PTE. LTD. for which the deferred tax asset was recognized arose in relation to depreciation based on local corporation tax law recorded for the year ended December 31, 2019 and 2018. No valuation allowance is recognized for the tax loss carryforwards since the amount was determined to be recoverable based on the expected future taxable income.

(March 31, 2020) *(Thousands of yen)*

	2021	2022	2023	2024	2025	2026 and beyond	Total
Tax loss carryforwards (c)	839	15,225	29,175	38,241	24,429	248,064	355,976
Valuation allowance	(839)	(15,225)	(29,175)	(38,241)	(24,429)	(52,909)	(160,820)
Net deferred tax assets	–	–	–	–	–	195,155	(d)195,155

(c) Tax loss carryforwards shown in the above table is after multiplying the statutory tax rate.
(d) Deferred tax assets amounting to ¥195,155 thousand were recognized for tax loss carryforwards of ¥355,976 thousand (amount multiplied by the statutory tax rate). The deferred tax assets amounting to ¥195,155 thousand were recognized for tax loss carryforwards of ¥144,074 thousand by the consolidated subsidiary JALUX Airport Inc. and ¥51,080 thousand by the consolidated subsidiary JALUX SINGAPORE PTE. LTD.. The tax loss carryforwards by JALUX Airport Inc. for which the deferred tax asset was recognized arose in relation to loss before income taxes of ¥410,060 thousand recorded for the year ended March 31, 2020. No valuation allowance is recognized for the tax loss carryforwards since the amount was determined to be recoverable based on the expected future taxable income. The tax loss carryforwards by JALUX SINGAPORE PTE. LTD. for which the deferred tax asset was recognized arose in relation to depreciation based on local corporation tax law recorded for the year ended December 31, 2019 and 2018. No valuation allowance is recognized for the tax loss carryforwards since the amount was determined to be recoverable based on the expected future taxable income.

15. Income Taxes (continued)

The differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2021 and 2020 were as follows:

	Years ended March 31,	
	2021	2020
Effective statutory tax rate	This note has been omitted, due to net loss before taxes for the current consolidated financial year.	30.62%
(Reconciliations)		
Disallowed expenses, including entertainment expenses		0.92
Inhabitants' per capita taxes		0.42
Equity in earnings of affiliates		(4.62)
Different tax rates applied to consolidated subsidiaries		(1.31)
Changes in valuation allowance		(0.26)
Others		(0.86)
Actual tax rate		24.91%

16. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2021 and 2020:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Net unrealized holding gain (loss) on other securities:			
Amount arising during the year	¥ 20,493	¥ (15,826)	$ 185
Reclassification adjustments for gains and losses included in profit attributable to owners of the company	–	(3,360)	–
Amount before tax effect	20,493	(19,186)	185
Tax effect	(6,273)	5,448	(57)
Net unrealized holding gain (loss) on other securities, net of taxes	14,220	(13,737)	128
Deferred gain or loss on hedges:			
Amount arising during the year	153,369	10,524	1,382
Amount before tax effect	153,369	10,524	1,382
Tax effect	(46,961)	(3,222)	(423)
Deferred gain or loss on hedges, net of taxes	106,407	7,301	959
Translation adjustments:			
Amount arising during the year	(145,550)	(41,547)	(1,311)
Reclassification adjustments for gains and losses included in profit attributable to owners of the company	–	(12,224)	–
Translation adjustments	(145,550)	(53,771)	(1,311)
Retirement benefit liability adjustments:			
Amount arising during the year	194,018	(100,607)	1,748
Reclassification adjustments for gains and losses included in profit attributable to owners of the company	57,907	13,068	522
Amount before tax effect	251,926	(87,538)	2,270
Tax effect	(77,139)	26,804	(695)
Retirement benefits liability adjustments, net of taxes	174,786	(60,734)	1,575
Share of other comprehensive income of companies accounted for using the equity method:			
Amount arising during the year	(30,059)	72,996	(271)
Total other comprehensive income	¥ 119,804	¥ (47,944)	$ 1,079

17. Leases

As lessee under financing leases

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

As lessee under operating leases

Future rental expenses under operating leases outstanding at March 31, 2021 and 2020 are summarized as follows:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 1,691,077	¥ 1,878,958	$ 15,235
Over 1 year	6,663,720	4,128,164	60,034
	¥ 8,354,797	¥ 6,007,123	$ 75,268

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, 2021 and 2020 are summarized as follows:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 1,377,563	¥ 1,345,643	$ 12,410
Over 1 year	6,170,189	3,046,739	55,587
	¥ 7,547,753	¥ 4,392,383	$ 67,998

18. Amounts Per Share

Net income (loss) 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,		
	2021	2020	2021
	(Yen)		*(U.S. dollars)*
Net income (loss) per share of common stock:			
Basic	¥ (187.16)	¥ 243.69	$ (1.686)

Diluted net income per share is not stated for 2020 because there were no potential shares of common stock outstanding and for 2021 due to net loss.

The following table sets forth the basis of the computation of net income per share of common stock for the years ended March 31, 2021 and 2020:

	Year ended March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Net income (loss)	¥ (2,366,350)	¥ 3,081,085	$ (21,318)
Net income (loss) available to stockholders of shares of common stock	¥ (2,366,350)	¥ 3,081,085	$ (21,318)

	Year ended March 31,	
	2021	2020
	(Thousands of shares)	
Weighted-average number of shares of common stock outstanding	12,643	12,643

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

	March 31,		
	2021	2020	2021
	(Yen)		*(U.S. dollars)*
	¥ 1,855.93	¥ 2,083.12	$ 16.720

19. Financial Instruments

Policy for financial instruments

The Company and its consolidated subsidiaries (the “Group”) manage temporary cash surpluses mainly through short-term deposits. Furthermore, the Group raises short-term capital through bank borrowings and the issuance of commercial papers.

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 stocks and investment in an investment partnership. Those securities are exposed to market risk and a risk of fluctuations in the amounts corresponding to equity of an investment partnership.

Long-term guarantee deposits 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 and commercial papers 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 certain variable interest rates is exposed to interest rate fluctuation risk.

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 long-term guarantee deposit, each related division monitors credit worthiness of its 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.

19. Financial Instruments (continued)

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

For accounts receivable and payable denominated in foreign currencies, the Company enters into forward foreign exchange contracts to hedge such risk.

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 the 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.

19. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments and estimated fair value in the consolidated balance sheet as of March 31, 2021 and 2020 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 a different fair value.

	March 31, 2021		
	Carrying value	Estimated fair value	Difference
	(Thousands of yen)		
Assets			
Cash and time deposits	¥ 8,466,348	¥ 8,466,348	¥ –
Trade notes and accounts receivable	10,902,123	10,902,123	–
Accounts receivable - other	3,018,935	3,018,935	–
Investment securities	279,251	279,251	–
Total assets	¥ 22,666,658	¥ 22,666,658	¥ –
Liabilities			
Trade notes and accounts payable	¥ 6,862,235	¥ 6,862,235	¥ –
Short-term borrowings (*1)	2,031,226	2,031,226	–
Commercial papers	6,997,817	6,997,817	–
Accrued expenses	2,949,903	2,949,903	–
Long-term debt (*1)	4,857,287	4,855,923	(1,364)
Total liabilities	¥ 23,698,471	¥ 23,697,107	¥ (1,364)
Derivatives (*2)	¥ 135,089	¥ 135,089	¥ –

	March 31, 2021		
	Carrying value	Estimated fair value	Difference
	(Thousands of U.S. dollars)		
Assets			
Cash and time deposits	$ 76,273	$ 76,273	$ –
Trade notes and accounts receivable	98,217	98,217	–
Accounts receivable - other	27,198	27,198	–
Investment securities	2,516	2,516	–
Total assets	$ 204,204	$ 204,204	$ –
Liabilities			
Trade notes and accounts payable	$ 61,822	$ 61,822	$ –
Short-term borrowings (*1)	18,299	18,299	–
Commercial papers	63,043	63,043	–
Accrued expenses	26,576	26,576	–
Long-term debt (*1)	43,759	43,747	(12)
Total liabilities	$ 213,500	$ 213,487	$ (12)
Derivatives (*2)	$ 1,217	$ 1,217	$ –

19. Financial Instruments (continued)

	March 31, 2020		
	Carrying value	Estimated fair value	Difference
	(Thousands of yen)		
Assets			
Cash and time deposits	¥ 6,175,441	¥ 6,175,441	¥ –
Trade notes and accounts receivable	22,106,818	22,106,818	–
Accounts receivable - other	2,733,013	2,733,013	–
Investment securities	262,364	262,364	–
Total assets	¥ 31,277,637	¥ 31,277,637	¥ –
Liabilities			
Trade notes and accounts payable	¥10,668,290	¥10,668,290	¥ –
Short-term borrowings (*1)	7,367,908	7,367,908	–
Commercial papers	5,999,788	5,999,788	–
Accrued expenses	4,670,758	4,670,758	–
Long-term debt (*1)	931,763	936,108	4,345
Total liabilities	¥ 29,638,509	¥ 29,642,854	¥ 4,345
Derivatives (*2)	¥ (13,097)	¥ (13,097)	¥ –

*1. Long-term debt includes the 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 trading in these securities.

c. Trade notes and accounts payable, short-term borrowings, commercial papers 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.

19. Financial Instruments (continued)

e. Derivative transactions

Refer to Note 21 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,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks	¥ 2,339,472	¥ 2,890,007	$ 21,076
Long-term guarantee deposit	2,233,883	2,334,474	20,125
Investment in an investment partnership	95,885	–	864

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, 2021			
	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	¥ 8,466,348	¥ –	¥ –	¥ –
Trade notes and accounts receivable	10,902,123	–	–	–
Accounts receivable - other	3,018,935	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	–
Others	–	–	–	–
Total	¥ 22,387,407	¥ –	¥ –	¥ –

19. Financial Instruments (continued)

	March 31, 2021			
	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	$ 76,273	$ –	$ –	$ –
Trade notes and accounts receivable	98,217	–	–	–
Accounts receivable - other	27,198	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	–
Others	–	–	–	–
Total	$ 201,688	$ –	$ –	$ –

	March 31, 2020			
	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	¥ 6,175,441	¥ –	¥ –	¥ –
Trade notes and accounts receivable	22,106,818	–	–	–
Accounts receivable - other	2,733,013	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	–
Others	–	–	–	–
Total	¥ 31,015,273	¥ –	¥ –	¥ –

20. Securities

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2021 and 2020 are summarized as follows:

	March 31, 2021		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of yen)		
Unrealized gain:			
Stocks	¥ 275,635	¥ 252,287	¥ 23,348
Bonds:			
Others	–	–	–
Others	–	–	–
	275,635	252,287	23,348
Unrealized loss:			
Stocks	¥ 3,615	¥ 3,763	¥ (147)
Bonds:			
Others	–	–	–
Others	–	–	–
	3,615	3,763	(147)
Total	¥ 279,251	¥ 256,050	¥ 23,200

	March 31, 2021		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Unrealized gain:			
Stocks	$ 2,483	$ 2,273	$ 210
Bonds:			
Others	–	–	–
Others	–	–	–
	2,483	2,273	210
Unrealized loss:			
Stocks	$ 33	$ 34	$ (1)
Bonds:			
Others	–	–	–
Others	–	–	–
	33	34	(1)
Total	$ 2,516	$ 2,307	$ 209

20. Securities (continued)

	March 31, 2020		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	(Thousands of yen)		
Unrealized gain:			
Stocks	¥ 258,688	¥ 251,307	¥ 7,380
Bonds:			
Others	–	–	–
Others	–	–	–
	258,688	251,307	7,380
Unrealized loss:			
Stocks	¥ 3,676	¥ 4,433	¥ (756)
Bonds:			
Others	–	–	–
Others	–	–	–
	3,676	4,433	(756)
Total	¥ 262,364	¥ 255,740	¥ 6,623

Non-marketable securities and investment in an investment partnership classified as other securities at March 31, 2021 and 2020 amounted to ¥502,849 thousand ($4,530thousand) and ¥403,032 thousand, respectively.

Proceeds from sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2021 and 2020 were as follows.

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sales proceeds:			
Stocks	¥ 100	¥ 17,510	$ 1
Other	–	–	–
	¥ 100	¥ 17,510	$ 1
Aggregate gain:			
Stocks	¥ 99	¥ 3,360	$ 1
Other	–	–	–
	¥ 99	¥ 3,360	$ 1
Aggregate loss:			
Stocks	¥ –	¥ –	$ –
Other	–	–	–
	¥ –	¥ –	$ –

21. 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, 2021 and 2020 for which hedged accounting has not been applied, are summarized as follows:

	March 31, 2021	
Maturing within one year	Notional amount	Fair value
	(Thousands of yen)	
Sell:		
THB	¥ 57,055	¥ (2,957)
Total	¥ 57,055	¥ (2,957)

	March 31, 2021	
Maturing within one year	Notional amount	Fair value
	(Thousands of U.S. dollars)	
Sell:		
THB	$ 514	$ (27)
Total	$ 514	$ (27)

	March 31, 2020	
Maturing within one year	Notional amount	Fair value
	(Thousands of yen)	
Sell:		
THB	¥ 51,603	¥ 2,225
Total	¥ 51,603	¥ 2,225

The notional amounts and the estimated fair value of the forward foreign exchange contracts outstanding at March 31, 2021 and 2020, for which hedged accounting has been applied, are summarized as follows:

	March 31, 2021	
Maturing within one year	Notional amount	Fair value
	(Thousands of yen)	
Sell:		
USD	¥ 173,654	¥ (9,509)
Others	251	(5)
Buy:		
USD	3,405,924	137,975
EUR	204,654	8,320
THB	24,578	(1,354)
GBP	53,355	1,789
Others	15,684	829
Total	¥ 3,878,103	¥ 138,046

21. Derivative Transactions (continued)

Maturing within one year	March 31, 2021	
	Notional amount	Fair value
	(Thousands of U.S. dollars)	
Sell:		
USD	$ 1,564	$ (86)
Others	2	(0)
Buy:		
USD	30,684	1,243
EUR	1,844	75
THB	221	(12)
GBP	481	16
Others	141	7
Total	$ 34,938	$ 1,244

Maturing within one year	March 31, 2020	
	Notional amount	Fair value
	(Thousands of yen)	
Sell:		
USD	¥ 270,058	¥ (4,480)
EUR	41,899	(629)
Buy:		
USD	4,503,845	409
EUR	1,078,324	(13,165)
THB	181,310	8,476
GBP	134,134	(5,932)
Total	¥ 6,209,572	¥ (15,322)

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, 2021 and 2020 are summarized as follows:

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sell:			
USD	¥ 38,388	¥ 101,824	$ 346
Buy:			
USD	978,865	3,403,238	8,819
EUR	48,112	171,360	433
THB	33,117	42,276	298
Others	22,679	3,357	204
Total	¥ 1,121,162	¥ 3,722,058	$ 10,101

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

22. Investment and Rental Properties

The Company and a certain consolidated subsidiary own buildings and lands for lease mainly in Thailand and other areas.

The carrying value in the consolidated balance sheet and the corresponding fair value of those properties for the year ended March 31, 2021 are as follows:

Carrying Value			Fair Value
March 31, 2021	Net change	March 31, 2020	March 31, 2021
	(Thousands of yen)		
¥ 1,495,802	¥ (91,926)	¥ 1,587,728	¥ 1,514,057

Carrying Value			Fair Value
March 31, 2021	Net change	March 31, 2020	March 31, 2021
	(Thousands of U.S. dollars)		
$ 13,476	$ (828)	$ 14,304	$ 13,640

The components of net change in the carrying value include decreases mainly due to depreciation of Buildings and structures in the amount of ¥42,590 thousand ($384 thousand).

The carrying value in the consolidated balance sheet and the corresponding fair value of those properties for the year ended March 31, 2020 were as follows:

Carrying Value			Fair Value
March 31, 2020	Net change	March 31, 2019	March 31, 2020
	(Thousands of yen)		
¥ 1,587,728	¥ 624,398	¥ 963,329	¥ 1,606,988

The components of net change in the carrying value include decreases mainly due to depreciation of Buildings and structures in the amount of ¥43,671 thousand and increases mainly due to acquisitions of real estate in the amount of ¥608,570 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.

23. Cash Flow Information

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

	March 31, 2021	March 31, 2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Cash and time deposits	¥ 8,466,348	¥ 6,175,441	$ 76,273
Time deposits with maturities of more than three months	(3,455)	(3,761)	(31)
	¥ 8,462,892	¥ 6,171,679	$ 76,242

The following is the summary of assets and liabilities lost through the sales of shares of JALUX TASECO DUTY FREE CO., LTD. and Taniyama Siam Co., Ltd. that result in a change in scope of consolidation for the year ended March 31, 2020, related selling price and net payments due to the sales:

	(Thousands of yen)
Current assets	¥552,444
Fixed assets	219,276
Current liabilities	(156,457)
Long-term liabilities	(46,032)
Non-controlling interests	(268,768)
Translation adjustments	(18,257)
Investment account after sales of subsidiary securities	(230,956)
Loss on sales of subsidiary securities	(32,191)
Selling price	19,057
Cash and cash equivalents	(248,471)
Net payments due to the sales	¥(229,414)

24. 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.

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

The accounting policies of the segments are substantially same as those described in the significant accounting policies in Note 1. Segment performance is evaluated based on ordinary income or loss after the allocation of corporate expenses. Intersegment sales are recorded at the same price used in transactions with third parties.

Ordinary income is calculated by subtracting nonoperating items from operating income.

24. Segment Information (continued)

The information on the reportable segments information of the Company and its consolidated subsidiaries for the years ended March 31, 2021 and 2020 was summarized as follows:

Year ended March 31, 2021

	Reportable segments						
	Aviation & airport business	Life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
	(Thousands of yen)						
Sales, profits and assets by reportable segment:							
Sales to outside parties	¥28,638,728	¥13,908,406	¥20,292,483	¥17,507,055	¥ 80,346,673	¥ –	¥ 80,346,673
Inter-segment sales and transfers	1,747	70,970	4,444	350,518	427,680	(427,680)	–
Total	28,640,476	13,979,376	20,296,927	17,857,574	80,774,354	(427,680)	80,346,673
Segment profits (losses)	¥ (618,769)	¥ 902,768	¥(2,289,559)	¥ (533,843)	¥ (2,539,404)	¥ 112,570	¥ (2,426,833)
Segment assets	¥18,559,351	¥ 8,045,511	¥11,781,039	¥ 9,099,301	¥ 47,485,204	¥ 4,790,818	¥ 52,276,023
Other items:							
Depreciation and amortization	¥ 235,156	¥ 108,546	¥ 507,802	¥ 63,483	¥ 914,988	¥ 72,789	¥ 987,778
Interest income	¥ 16	¥ 1,244	¥ 2,045	¥ 2	¥ 3,310	¥ 18	¥ 3,328
Interest expense	¥ 65,289	¥ 31,576	¥ 18,541	¥ 28,426	¥ 143,833	¥ (36,019)	¥ 107,814
Equity in earnings of affiliates	¥ (162,202)	¥ 27,071	¥ (2,983)	¥ –	¥ (138,114)	¥ (331,778)	¥ (469,893)
Investment in affiliates accounted for using the equity method	¥ 1,217,377	¥ 422,344	¥ 231,572	¥ –	¥ 1,871,294	¥ 0	¥ 1,871,294
Capital expenditures	¥ 31,052	¥ 15,167	¥ 441,479	¥ 117,180	¥ 604,880	¥ 40,543	¥ 645,424
Operating income (losses) previously disclosed as segment profits (losses)	¥ 205,342	¥ 1,307,443	¥(2,554,393)	¥ (125,308)	¥ (1,166,916)	¥(1,748,579)	¥ (2,915,495)

Year ended March 31, 2021

	Reportable segments						
	Aviation & airport 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 segment:							
Sales to outside parties	$258,007	$ 125,301	$182,815	$157,721	$ 723,844	$ –	$723,844
Inter-segment sales and transfers	16	639	40	3,158	3,853	(3,853)	–
Total	258,022	125,940	182,855	160,879	727,697	(3,853)	723,844
Segment profits (losses)	$ (5,574)	$ 8,133	$ (20,627)	$ (4,809)	$ (22,878)	$ 1,014	$ (21,863)
Segment assets	$167,201	$ 72,482	$106,135	$ 81,976	$427,795	$ 43,161	$ 470,955
Other items:							
Depreciation and amortization	$ 2,119	$ 978	$ 4,575	$ 572	$ 8,243	$ 656	$ 8,899
Interest income	$ 0	$ 11	$ 18	$ 0	$ 30	$ 0	$ 30
Interest expense	$ 588	$ 284	$ 167	$ 256	$ 1,296	$ (324)	$ 971
Equity in earnings of affiliates	$ (1,461)	$ 244	$ (27)	$ –	$ (1,244)	$ (2,989)	$ (4,233)
Investment in affiliates accounted for using the equity method	$ 10,967	$ 3,805	$ 2,086	$ –	$ 16,859	$ 0	$ 16,859
Capital expenditures	$ 280	$ 137	$ 3,977	$ 1,056	$ 5,449	$ 365	$ 5,815
Operating income (losses) previously disclosed as segment profits (losses)	$ 1,850	$ 11,779	$ (23,013)	$ (1,129)	$ (10,513)	$(15,753)	$ (26,266)

24. Segment Information (continued)

Adjustments and eliminations for segment profits and losses include ¥1,267 thousand ($11 thousand) of elimination of inter-segment profit and ¥111,303 thousand ($1,003 thousand) of difference between the allocated amount of corporate expenses and actual amount, and corporate profits or losses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥73,337 thousand ($661 thousand) of elimination of accounts inter-segment receivable and ¥4,864,156 thousand ($43,821 thousand) of corporate assets which are not allocable to the reportable segments. Corporate assets consist primarily of 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 profit or loss is reconciled to ordinary loss. Nonoperating items amounted to ¥488,662 thousand ($4,402 thousand) result in an adjustment of ordinary income or loss to operating loss reported in the consolidated statements of operations.

Depreciation and amortization include depreciation costs recorded as other expenses and "Loss due to temporary store closures."

24. Segment Information (continued)

	Year ended March 31, 2020						
	Reportable segments						
	Aviation & airport business	Life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
				(Thousands of yen)			
Sales, profits and assets by reportable segment:							
Sales to outside parties	¥48,818,157	¥12,972,856	¥57,619,780	¥25,277,255	¥144,688,049	¥ –	¥144,688,049
Inter-segment sales and transfers	1,578	122,396	5,904	1,296,821	1,426,701	(1,426,701)	–
Total	48,819,735	13,095,252	57,625,685	26,574,077	146,114,751	(1,426,701)	144,688,049
Segment profits	¥ 1,437,022	¥ 759,392	¥ 1,900,979	¥ 347,858	¥ 4,445,254	¥ 292,754	¥ 4,738,009
Segment assets	¥28,665,834	¥ 6,439,690	¥13,485,527	¥ 9,772,564	¥ 58,363,617	¥ 2,481,124	¥ 60,844,741
Other items:							
Depreciation and amortization	¥ 232,433	¥ 115,833	¥ 501,439	¥ 81,786	¥ 931,494	¥ 75,357	¥ 1,006,851
Interest income	¥ 72	¥ 1,506	¥ 2,130	¥ 82	¥ 3,791	¥ (706)	¥ 3,085
Interest expense	¥ 106,641	¥ 45,505	¥ 11,108	¥ 40,784	¥ 204,038	¥ (105,815)	¥ 98,223
Equity in earnings of affiliates	¥ 679,133	¥ 25,628	¥ 68,279	¥ –	¥ 773,041	¥ (85,767)	¥ 687,274
Investment in affiliates accounted for using the equity method	¥ 1,449,089	¥ 389,918	¥ 254,872	¥ –	¥ 2,093,881	¥ 331,031	¥ 2,424,912
Capital expenditures	¥ 386,654	¥ 636,963	¥ 1,060,237	¥ 38,314	¥ 2,122,170	¥ 102,750	¥ 2,224,921
Operating income previously disclosed as segment profits	¥ 1,449,865	¥ 1,283,000	¥ 2,308,205	¥ 846,603	¥ 5,887,674	¥(1,917,838)	¥ 3,969,836

Adjustments and eliminations for segment profits and losses include ¥3,755 thousand of elimination of inter-segment profit and ¥288,999 thousand of difference between the allocated amount of corporate expenses and actual amount, and corporate profits or losses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥85,950 thousand of elimination of accounts inter-segment receivable and ¥2,567,074 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 profit is reconciled to ordinary income. Nonoperating items amounted to ¥768,172 thousand result in an adjustment of ordinary income to operating income reported in the consolidated statements of operations.

24. Segment Information (continued)

For the years ended March 31, 2021 and 2020, net sales to outside parties in Japan represent more than 90% of consolidated operating revenues. As a result, net sales to outside parties by country or area grouped according to geographical classification are not required to be disclosed.

Property, plant and equipment by geographical country or area at March 31, 2021 and 2020 were summarized as follows:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Japan	¥ 2,230,668	¥ 2,430,983	$ 20,096
Thailand	1,156,139	1,312,092	10,416
Singapore	713,800	1,080,466	6,431
Other foreign countries	372,233	443,293	3,353
	¥ 4,472,842	¥ 5,266,836	$ 40,296

Net sales to major customers for the fiscal years ended March 31, 2021 and 2020 were as follows:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Mitsubishi Heavy Industries Aero Engines, Ltd. (Aviation & airport business)	¥ 12,886,544	¥ 19,429,560	$ 116,095
Kawasaki Heavy Industries, Ltd. (Aviation & airport business)	–	16,508,279	–

Impairment losses on fixed assets by reportable segment for the years ended March 31, 2021 and 2020 were summarized as follows:

	March 31,		
	2021	**2020**	**2021**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Aviation & airport business	¥ 209,694	¥ –	$ 1,889
Life service business	–	–	–
Retail business	115,533	80,822	1,041
Food & beverage business	–	–	–
Reportable segments total	325,228	80,822	2,930
Adjustments and eliminations	–	–	–
	¥ 325,228	¥ 80,822	$ 2,930

25. Related Party Transactions

The significant transactions between the Company and Japan Airline Co., Ltd., for the years ended March 31, 2021 and 2020 were summarized as follows:

	Year ended March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sales of flight equipment	¥ 1,289,065	¥ 5,037,635	$ 11,613
Purchases of merchandise	315,174	491,224	2,839

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Accounts receivable	¥ 77,436	¥ 544,048	$ 698
Accounts payable	37,989	90,167	342

The significant transactions between certain consolidated subsidiaries of the Company and Japan Airlines Co., Ltd. for the years ended March 31, 2021 and 2020 were summarized as follows:

	Year ended March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Sales of flight equipment	¥ 171,589	¥ 360,739	$ 1,546

	March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Accounts receivable	¥ 1,146	¥ 8,353	$ 10

26. Contingent liabilities

As the Company is the guarantors of indebtedness to unconsolidated subsidiaries and affiliates, contingent liabilities for the years ended March 31, 2021 and 2020 were summarized as follows:

	Year ended March 31,		
	2021	2020	2021
	(Thousands of yen)		*(Thousands of U.S. dollars)*
MC-Jalux Airport Services Co.,Ltd.	¥ –	¥ 111,530	$ –