

## **Independent Auditor's Report**

To the Board of Directors of JALUX Inc.:

We have audited the accompanying consolidated financial statements of JALUX Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JALUX Inc. and its consolidated subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

*KPMG AZSA LLC*

July 19, 2018

Tokyo, Japan

# JALUX Inc. and Consolidated Subsidiaries

## Consolidated Balance Sheets

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
<b>Assets</b>			
Current assets:			
Cash and time deposits <i>(Notes 16 and 20)</i>	¥ 6,027,362	¥ 6,258,404	\$ 56,862
Trade notes and accounts receivable <i>(Notes 16 and 22)</i>	15,452,147	13,604,220	145,775
Inventories <i>(Note 4)</i>	13,181,691	11,071,622	124,356
Deferred tax assets <i>(Note 12)</i>	503,891	417,614	4,754
Accounts receivable - other <i>(Note 16)</i>	2,643,953	2,062,307	24,943
Others	1,264,471	1,570,583	11,929
Allowance for doubtful accounts	(24,468)	(27,039)	(231)
Total current assets	39,049,047	34,957,714	368,387
Property and equipment <i>(Notes 5, 11, 14 and 19)</i> :			
Buildings and structures	2,002,569	1,533,345	18,892
Machinery and vehicles	1,864,218	999,208	17,587
Land	411,541	374,637	3,882
Construction in process	8,661	833,247	82
Others	448,758	474,972	4,234
Property and equipment, net	4,735,748	4,215,411	44,677
Intangible assets:			
Software <i>(Note 11)</i>	425,360	365,223	4,013
Others	33,787	34,574	319
Total intangible assets	459,148	399,797	4,332
Investments and other assets:			
Investment securities <i>(Notes 6, 16 and 17)</i>	2,381,271	2,048,238	22,465
Long-term loans receivable	150,660	171,095	1,421
Long-term guarantee deposit <i>(Note 16)</i>	1,971,093	1,914,373	18,595
Deferred tax assets <i>(Note 12)</i>	36,405	41,027	343
Asset for retirement benefits <i>(Note 8)</i>	110,690	63,443	1,044
Others	144,000	149,751	1,358
Allowance for doubtful accounts	(24,634)	(25,936)	(232)
Total investment and other assets	4,769,487	4,361,993	44,995
Total assets	¥ 49,013,432	¥ 43,934,917	\$ 462,391

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
<b>Liabilities and net assets</b>			
Current liabilities:			
Trade notes and accounts payable <i>(Notes 16 and 22)</i>	¥ 11,362,733	¥ 9,746,049	\$ 107,196
Short-term borrowings and Current portion of long-term debt <i>(Notes 7 and 16)</i>	2,094,859	3,503,153	19,763
Accrued income taxes <i>(Note 12)</i>	1,005,360	745,123	9,485
Accrued expenses <i>(Note 16)</i>	3,825,901	3,011,991	36,093
Others	2,718,159	2,493,668	25,643
Total current liabilities	<u>21,007,014</u>	<u>19,499,985</u>	<u>198,179</u>
Long-term liabilities:			
Long-term debt <i>(Notes 7 and 16)</i>	3,413,658	2,159,701	32,204
Liability for retirement benefits <i>(Note 8)</i>	39,177	35,429	370
Deferred tax liabilities <i>(Note 12)</i>	184,463	144,376	1,740
Others	734,582	650,230	6,930
Total long-term liabilities	<u>4,371,882</u>	<u>2,989,737</u>	<u>41,244</u>
Commitments and contingent liabilities <i>(Note 7)</i>			
Net assets <i>(Note 9)</i> :			
Shareholders' equity:			
Common stock	2,558,550	2,558,550	24,137
Capital surplus	688,723	688,723	6,497
Retained earnings	19,191,298	17,130,525	181,050
Common stock in treasury	(134,809)	(134,674)	(1,272)
Total shareholders' equity	<u>22,303,762</u>	<u>20,243,124</u>	<u>210,413</u>
Accumulated other comprehensive income:			
Net unrealized gain (loss) on other securities, net of taxes <i>(Note 17)</i>	21,679	3,314	205
Deferred gain or loss on hedges, net of taxes <i>(Note 18)</i>	(67,321)	22,908	(635)
Translation adjustments	(260,703)	(183,270)	(2,459)
Retirement benefits liability adjustments <i>(Note 8)</i>	(29,217)	(60,886)	(276)
Total accumulated other comprehensive income	<u>(335,563)</u>	<u>(217,933)</u>	<u>(3,166)</u>
Non-controlling interests	1,666,337	1,420,003	15,720
Total net assets	<u>23,634,536</u>	<u>21,445,194</u>	<u>222,967</u>
Total liabilities and net assets	<u>¥ 49,013,432</u>	<u>¥ 43,934,917</u>	<u>\$ 462,391</u>

*The accompanying notes are an integral part of these statements.*

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

	<b>Years ended March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Operating revenues <i>(Notes 21 and 22)</i>	¥ 153,404,093	¥ 143,217,913	\$ 1,447,208
Operating expenses <i>(Notes 21 and 22)</i> :			
Cost of sales	128,252,981	119,847,979	1,209,934
Selling, general and administrative expenses	20,442,048	19,313,420	192,850
	<u>148,695,030</u>	<u>139,161,400</u>	<u>1,402,783</u>
Operating income	<u>4,709,063</u>	<u>4,056,513</u>	<u>44,425</u>
Non-operating income (expenses):			
Interest income	10,779	13,376	102
Interest expense	(106,420)	(66,367)	(1,004)
Equity in earnings of affiliates	417,758	204,299	3,941
Others, net <i>(Note 10)</i>	(340,351)	(52,915)	(3,211)
	<u>(18,234)</u>	<u>98,393</u>	<u>(172)</u>
Net Profit before income taxes	<u>4,690,829</u>	<u>4,154,906</u>	<u>44,253</u>
Income taxes <i>(Note 12)</i> :			
Current	1,643,943	1,365,416	15,509
Deferred	(24,002)	(6,432)	(226)
	<u>1,619,941</u>	<u>1,358,984</u>	<u>15,282</u>
Net Profit	<u>3,070,887</u>	<u>2,795,921</u>	<u>28,971</u>
Net Profit attributable to:			
Non-controlling interests	377,538	223,371	3,562
Owners of the company	<u>¥ 2,693,349</u>	<u>¥ 2,572,550</u>	<u>\$ 25,409</u>

*The accompanying notes are an integral part of these statements.*

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	<b>Years ended March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Net Profit	¥ 3,070,887	¥2,795,921	\$ 28,971
Other comprehensive income:			
Net unrealized holding gain (loss) on other securities, net of taxes	17,346	9,986	164
Deferred gain or loss on hedges, net of taxes	(90,230)	135,982	(851)
Translation adjustments	(52,798)	(121,379)	(498)
Retirement benefits liability adjustment, net of tax	31,668	36,375	299
Share of other comprehensive income of companies accounted for by the equity method	(24,831)	(26,365)	(234)
Total other comprehensive income <i>(Note 13)</i>	(118,845)	34,600	(1,121)
Comprehensive income	¥ 2,952,042	¥ 2,830,521	\$ 27,849
Comprehensive income attributable to:			
Owners of the company	¥ 2,575,719	¥ 2,615,513	\$ 24,299
Non-controlling interests	¥ 376,323	¥ 215,008	\$ 3,550

**JALUX Inc. and Consolidated Subsidiaries**  
**Consolidated Statements of Changes in Net Assets**

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Net unrealized holding gain (loss) on other securities, net of taxes (Note 17)	Deferred gain or loss on hedges, net of taxes (Note 18)	Translation adjustments	Retirement benefits liability adjustments (Note 8)	Subscription rights to shares	Non- controlling interests	Total net assets
(Thousands of yen)												
Balance at March 31, 2016	12,775,000	¥ 2,558,550	¥ 711,250	¥ 15,065,042	¥ (140,124)	¥(8,007)	¥(113,073)	¥ (42,553)	¥(97,261)	¥ 4,231	¥ 1,488,384	¥ 19,426,437
Cash dividends (¥40 per share)				(505,853)								(505,853)
Net income for the year ended March 31, 2017				2,572,550								2,572,550
Disposal of common stock in treasury				(1,213)	5,450							4,237
Capital increase of consolidated subsidiaries			(22,526)									(22,526)
Others						11,322	135,982	(140,717)	36,375	(4,231)	(68,380)	(29,649)
Balance at March 31, 2017	12,775,000	¥ 2,558,550	¥ 688,723	¥ 17,130,525	¥ (134,674)	¥ 3,314	¥ 22,908	¥ (183,270)	¥ (60,886)	-	¥ 1,420,003	¥ 21,445,194
Cash dividends (¥50 per share)				(632,576)								(632,576)
Net income for the year ended March 31, 2018				2,693,349								2,693,349
Purchase of common stock in treasury					(135)							(135)
Others						18,364	(90,230)	(77,433)	31,668	-	246,334	128,703
Balance at March 31, 2018	12,775,000	¥2,558,550	¥688,723	¥19,191,298	¥(134,809)	¥ 21,679	¥ (67,321)	¥ (260,703)	¥ (29,217)	-	¥ 1,666,337	¥ 23,634,536

	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 17)	Deferred gain or loss on hedges, net of taxes (Note 18)	Translation adjustments	Retirement benefits liability adjustments (Note 8)	Subscription rights to shares	Non- controlling interests	Total net assets
(Thousands of U.S. dollars) (Note 3)												
Balance at March 31, 2017	12,775,000	\$ 24,137	\$ 6,497	\$ 161,609	\$ (1,271)	\$ 31	\$ 216	\$ (1,729)	\$ (574)	-	\$ 13,396	\$ 202,313
Cash dividends (\$0.47 per share)				(5,968)								(5,968)
Net income for the year ended March 31, 2018				25,409								25,409
Purchase of common stock in treasury					(1)							(1)
Others						173	(851)	(731)	299	-	2,324	1,214
Balance at March 31, 2018	12,775,000	\$ 24,137	\$ 6,497	\$ 181,050	\$ (1,272)	\$ 205	\$ (635)	\$ (2,459)	\$ (276)	-	\$ 15,720	\$ 222,967

*The accompanying notes are an integral part of these statements.*

# JALUX Inc. and Consolidated Subsidiaries

## Consolidated Statements of Cash Flows

	Years ended March 31,		
	2018	2017	2018
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
<b>Operating activities</b>			
Net Profit before income taxes	¥ 4,690,829	¥ 4,154,906	\$ 44,253
Depreciation and amortization	742,160	560,039	7,002
Decrease in provision for allowance for doubtful accounts	(3,407)	(5,221)	(32)
Increase in asset for retirement benefits	(24,073)	(20,207)	(227)
Increase in liability for retirement benefits	2,572	2,938	24
Interest and dividend income	(37,042)	(39,020)	(349)
Interest expense	106,420	66,367	1,004
Exchange loss (gain), net	7,139	(55,067)	67
Equity in earnings of affiliates	(417,758)	(204,299)	(3,941)
Loss on sales of, and loss on disposal of property and equipment	17,814	22,851	168
Impairment losses on fixed assets	417,003	3,076	3,934
Gain on sales of investments in securities	-	500	-
Loss on revaluation of investments in securities	4,999	23,417	47
Increase in notes and accounts receivable	(2,152,669)	(550,906)	(20,308)
Increase (decrease) in inventories	(2,130,381)	1,274,701	(20,098)
Increase (decrease) in notes and accounts payable	1,668,326	(191,215)	15,739
Increase (decrease) in advance payment	420,515	(232,714)	3,967
Increase (decrease) in advance received	21,799	(232,925)	206
Increase in bad debts on receivables	(142)	(13,007)	(1)
Others, net	518,341	(148,674)	4,890
Subtotal	3,852,447	4,415,537	36,344
Interest and dividends received	134,185	84,051	1,266
Interest paid	(105,114)	(61,876)	(992)
Income taxes paid	(1,438,911)	(1,531,433)	(13,575)
Net cash provided by operating activities	2,442,608	2,906,279	23,043
<b>Investing activities</b>			
Purchases of property and equipment	(1,405,921)	(2,845,300)	(13,263)
Proceeds from sales of property and equipment	8,678	56,438	82
Purchases of intangible assets	(141,056)	(152,288)	(1,331)
Purchases of investments in securities	(301)	(6,339)	(3)
Proceeds from sales and redemption of investments in securities	-	300	-
Long-term loans receivable made	(951)	(1,308)	(9)
Collection of long-term loans	11,458	10,320	108
Increase in long-term guarantee deposit	(185,133)	(102,244)	(1,747)
Decrease in long-term guarantee deposit	53,562	176,014	505
Others, net	(49,239)	(71,641)	(465)
Net cash used in investing activities	(1,708,905)	(2,936,049)	(16,122)
<b>Financing activities</b>			
Increase (decrease) in short-term borrowings, net	(483,066)	1,405,623	(4,557)
Proceeds from long-term loans	1,503,678	644,635	14,186
Repayment of long-term loans	(1,162,602)	(1,187,110)	(10,968)
Proceeds from share issuance to non-controlling shareholders	56,940	15,000	537
Dividends paid to stockholders	(632,080)	(507,238)	(5,963)
Dividends paid to minority stockholders	(180,000)	(180,000)	(1,698)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(140,721)	-
Decrease in commercial papers	-	(999,963)	-
Others, net	(39,742)	1,495	(375)
Net cash used in financing activities	(936,873)	(948,279)	(8,838)
Effect of exchange rate changes on cash and cash equivalents	10,866	(59,634)	103
Net decrease in cash and cash equivalents	(192,303)	(1,037,684)	(1,814)
Cash and cash equivalents at beginning of the year	6,213,875	7,251,560	58,621
Cash and cash equivalents at end of the year <i>(Note 20)</i>	¥ 6,021,572	¥ 6,213,875	\$ 56,807

*The accompanying notes are an integral part of these statements.*

JALUX Inc. and Consolidated Subsidiaries  
Notes to Consolidated Financial Statements

March 31, 2018

**1. Summary of Significant Accounting Policies**

a. Basis of preparation

JALUX Inc. (the “Company”) and its consolidated domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency as required by the Financial Instruments and Exchange Law of Japan, certain modifications and inclusion of certain additional financial information are made for the convenience of readers outside Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

b. Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

The balance sheet date of fifteen of the consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary, for the respective years.

All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions have been eliminated.

c. Securities

Securities except for investments in unconsolidated subsidiaries and affiliates are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of net assets, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the average method.



## 1. Summary of Significant Accounting Policies (continued)

### d. Derivatives

Derivatives are stated at fair value.

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Foreign receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met. In addition, the related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment of interest expense on the hedged items if certain conditions are met.

### e. Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined as follows:

#### Merchandise:

- The Company – by the moving average method
  - Subsidiaries – principally by the weighted average method
  - Real estate held for sale – by the specific identification method
- Leasing real estates for sale are depreciated by applying the method of tangible fixed assets.

### f. Property and equipment

For the Company and the consolidated domestic subsidiaries, depreciation of the shops in airports and the buildings for rent is computed principally by the straight-line method and depreciation of other property and equipment is computed principally by the declining-balance method. The consolidated foreign subsidiaries principally adopt the straight-line method. The estimated useful lives of the assets are as follows:

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

### g. Software

Computer software intended for internal use is amortized over 5 years by the straight-line method based on their estimated useful life.

### h. Leased assets

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

## **1. Summary of Significant Accounting Policies (continued)**

### **i. Allowance for doubtful accounts**

The allowance for doubtful accounts on specific receivables is provided at the estimate of the unrecoverable amounts. The allowance for doubtful accounts on other receivables is provided based on the historical rate of losses on receivables.

### **j. Retirement benefit**

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

Actuarial gains and losses are amortized by the straight-line method beginning the following fiscal year over a period of 5 years.

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

### **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. 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 30, 2018)

- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

### **(1) Overview**

The above standard and guidance provide comprehensive principles for revenue recognition.

### **(2) Effective date**

Effective from the beginning of the fiscal year ending March 31, 2022.

### **(3) Effects of the application of the standards**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

### 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥106.00 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2018, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

### 4. Inventories

Inventories at March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Merchandise and finished products	¥ 12,325,323	¥ 9,459,804	\$ 116,277
Real estate held for sale	775,892	1,518,910	7,320
Raw materials and supplies	80,475	92,908	759
	<u>¥ 13,181,691</u>	<u>¥ 11,071,622</u>	<u>\$ 124,356</u>

Revaluation loss included in “Cost of sales” amounted to ¥243,550 thousand (\$2,298 thousand) and ¥44,455 thousand for the years ended March 31, 2018 and 2017.

### 5. Property and Equipment

The following table sets forth the acquisition costs and related accumulated depreciation of certain property and equipment at March 31, 2018 and 2017:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Buildings and structures	¥ 3,927,157	¥ 3,277,280	\$ 37,049
Machinery and vehicles	2,351,487	1,322,536	22,184
Others	1,803,682	1,671,799	17,016
	8,082,326	6,271,615	76,248
Accumulated depreciation	<u>(3,766,780)</u>	<u>(3,264,089)</u>	<u>(35,536)</u>
	<u>¥ 4,315,545</u>	<u>¥ 3,007,525</u>	<u>\$ 40,713</u>

## 6. Investments and Other Assets

Investments in unconsolidated subsidiaries and affiliates included in “Investment securities” as of March 31, 2018 and 2017 amounted to ¥1,897,854 thousand (\$17,904 thousand) and ¥1,590,126 thousand, respectively.

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

Short-term borrowings and long-term debt at March 31, 2018 and 2017 consisted of the following:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Short-term Borrowings:			
Short-term Borrowings without collateral, with weighted-average interest rate of 1.85%	¥ 830,984	¥ 2,525,014	\$ 7,839
	<u>¥ 830,984</u>	<u>¥ 2,525,014</u>	<u>\$ 7,839</u>
Long-term debt:			
Loans without collateral, due 2018 to 2024, with weighted-average interest rate of 2.18%	¥4,677,533	¥3,137,840	\$44,128
Lease obligations	120,936	140,116	1,141
	4,798,470	3,277,956	45,269
Less current portion	(1,305,340)	(1,018,545)	(12,315)
	<u>¥ 3,493,130</u>	<u>¥ 2,259,411</u>	<u>\$ 32,954</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2018 are summarized as follows:

<u>Year ending March 31,</u>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2019	¥ 1,263,875	\$ 11,923
2020	1,686,171	15,907
2021	1,016,445	9,589
2022	349,583	3,298
2023	149,583	1,411
2024 and thereafter	211,875	1,999
	<u>¥ 4,677,533</u>	<u>\$ 44,128</u>

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

The aggregate annual maturities of lease obligations subsequent to March 31, 2018 are summarized as follows:

<u>Year ending March 31,</u>	<u>(Thousands of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2019	¥ 41,465	\$ 391
2020	31,923	301
2021	26,547	250
2022	15,408	145
2023	5,591	53
	<u>¥ 120,936</u>	<u>\$ 1,141</u>

The Company has entered into loan commitment agreements with banks in order to source funds for its operations smoothly.

The outstanding balance of loan commitment as of March 31, 2018 and 2017 were as follows:

	<u>March 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Total commitment available	¥3,000,000	¥3,000,000	\$28,302
Less amount utilized	-	-	-
Balance available	<u>¥3,000,000</u>	<u>¥3,000,000</u>	<u>\$28,302</u>

## 8. Retirement Benefit Plan

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

*Plan excluding that calculated by simplified method (continued)*

## 8. Retirement Benefit Plan (continued)

The changes in the retirement benefit obligation during the years ended March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 2,386,806	¥ 2,368,683	\$ 22,517
Service cost	117,675	116,369	1,110
Interest cost	19,571	19,423	185
Adjustment for actuarial assumptions	29,797	14,573	281
Retirement benefit paid	(86,480)	(132,243)	(816)
Balance at the end of the year	<u>¥ 2,467,371</u>	<u>¥ 2,386,806</u>	<u>\$ 23,277</u>

The changes in plan assets during the year ended March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥2,450,249	¥2,389,267	\$23,116
Expected return on plan assets	61,256	59,731	578
Adjustment for actuarial assumptions	52,971	37,224	500
Contributions by the Company	100,064	96,267	944
Retirement benefit paid	(86,480)	(132,243)	(816)
Balance at the end of the year	<u>¥2,578,061</u>	<u>¥2,450,249</u>	<u>\$24,321</u>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the Company's defined benefit plans:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 2,467,371	¥ 2,386,806	\$ 23,277
Plan assets at fair value	(2,578,061)	(2,450,249)	(24,321)
	<u>(110,690)</u>	<u>(63,443)</u>	<u>(1,044)</u>
Unfunded retirement benefit obligation	-	-	-
Net asset for retirement benefits in the balance sheet	<u>(110,690)</u>	<u>(63,443)</u>	<u>(1,044)</u>
Liability for retirement benefits	-	-	-
Asset for retirement benefits	(110,690)	(63,443)	(1,044)
Net asset for retirement benefits in the balance sheet	<u>¥ (110,690)</u>	<u>¥ (63,443)</u>	<u>\$ (1,044)</u>

## 8. Retirement Benefit Plan (continued)

The components of retirement benefit expenses for the years ended March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>		<b>2018</b>
	<b>2018</b>	<b>2017</b>	
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 117,675	¥ 116,369	\$ 1,110
Interest cost	19,571	19,423	185
Expected return on plan assets	(61,256)	(59,731)	(578)
Amortization of adjustment for actuarial assumptions	22,471	29,778	212
Retirement benefit expense	<u>¥ 98,462</u>	<u>¥ 105,839</u>	<u>\$ 929</u>

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>		<b>2018</b>
	<b>2018</b>	<b>2017</b>	
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Adjustment for actuarial assumptions	¥ (45,645)	¥ (52,429)	\$ (431)
Total	<u>¥ (45,645)</u>	<u>¥ (52,429)</u>	<u>\$ (431)</u>

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>		<b>2018</b>
	<b>2018</b>	<b>2017</b>	
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized adjustment for actuarial assumptions	¥ 42,112	¥ 87,757	\$ 397
Total	<u>¥ 42,112</u>	<u>¥ 87,757</u>	<u>\$ 397</u>

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Bonds	19.4%	17.3%
Stocks	23.9	24.8
General account assets	54.8	56.0
Others	1.9	1.9
Total	<u>100.0%</u>	<u>100.0%</u>

## 8. Retirement Benefit Plan (continued)

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

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

	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Discount rate	0.8%	0.8%
Expected rates of return on plan assets	2.5%	2.5%
Salary increase rate	1.0% ~ 4.7%	1.0% ~ 4.7%

### *Plan calculated by the simplified method*

The changes in the retirement benefit obligation for consolidated subsidiaries adopting the simplified method during the year ended March 31, 2018 and 2017 are as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 35,429	¥ 134,965	\$ 334
Retirement benefit expense	21,217	17,610	200
Retirement benefit paid	(5,214)	(1,210)	(49)
Contribution to pension plans	(12,740)	(13,130)	(120)
Translation adjustment	485	(633)	5
Change in pension plan	-	(102,172)	-
Balance at the end of the year	<u>¥ 39,177</u>	<u>¥ 35,429</u>	<u>\$ 370</u>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for consolidated subsidiaries adopting the simplified method:



## 8. Retirement Benefit Plan (continued)

	March 31,		
	2018	2017	2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligation	¥ 134,201	¥ 122,803	\$ 1,266
Plan assets at fair value	(121,687)	(112,262)	(1,148)
	12,513	10,540	118
Unfunded retirement benefit obligation	26,664	24,888	252
Net liability for retirement benefits in the balance sheet	39,177	35,429	370
Liability for retirement benefits	39,177	35,429	370
Net liability for retirement benefits in the balance sheet	¥ 39,177	¥ 35,429	\$ 370

Retirement benefit expenses for the simplified method of ¥21,217 thousand (\$200thousand) and ¥17,610 thousand were accounted for the years ended March 31, 2018 and 2017.

### *Defined contribution plans*

Contribution made to defined contribution plans for the years ended March 31, 2018 and 2017 were ¥130,252 thousand (\$1,229 thousand) and ¥123,913 thousand, respectively.

## 9. Net Assets

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

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

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

The total number and periodic changes in the number of shares of stock in issue and the total number and periodic changes in the number of shares of common stock in treasury for the years ended March 31, 2018 and 2017 were as follows:

## 9. Net Assets (continued)

### Year ended March 31, 2018

	At			At
	March 31, 2017	Increase	Decrease	March 31, 2018
		<i>(Thousands of shares)</i>		
Number of shares of stock in issue:				
Common stock	12,775	–	–	12,775
Number of shares of common stock in treasury:				
Common stock	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.

### Year ended March 31, 2017

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

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

### Dividends

Dividends with the cut-off date in the year ended March 31, 2018 and effective date in the year ended March 31, 2019

Resolution	Type of shares	Total dividends		Dividends per share		Cut-off date	Effective date
		<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>		
General meeting of stockholders held on June 15, 2018	Common stock	¥695,831	\$6,564	¥55.0	\$0.52	March 31, 2018	June 18, 2018

### Dividends paid

Resolution	Type of shares	Total dividends		Dividends per share		Cut-off date	Effective date
		<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>		
General meeting of stockholders held on June 16, 2017	Common stock	¥632,576	\$5,648	¥50.0	\$0.44	March 31, 2017	June 19, 2017

## 10. Other Income (Expenses)

The components of “Other, net” in “Non-operating income (expenses)” in the period ended March 31, 2018 and 2017 were as follows:

	<b>Years ended March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Dividends received	¥ 26,263	¥ 25,644	\$ 248
Exchange gain (loss), net	43,719	(37,617)	412
Gain on sales of property and equipment	1,977	1,946	19
Gain on sales of golf-club membership	–	8,477	–
Commission paid	(8,880)	(10,369)	(84)
Amortization of business commencement expenses	–	(16,172)	–
Loss on sales and disposal of property and equipment	(19,792)	(24,797)	(187)
Loss on sales of securities	–	(500)	–
Impairment losses on fixed assets	(417,003)	(3,076)	(3,934)
Loss on revaluation of investments in securities	(4,999)	(23,417)	(47)
Loss on liquidation of a company	(28,721)	(27,311)	(271)
Others, net	67,085	54,279	633
	<u>¥ (340,351)</u>	<u>¥ (52,915)</u>	<u>\$ (3,211)</u>

## 11. Impairment of Fixed Assets

For the year ended March 31, 2018, the Company and a consolidated subsidiary recognized impairment losses on fixed assets of ¥417,003 thousand (\$3,934 thousand), and for the year ended March 31, 2017 the Company recognized impairment losses on fixed asset of ¥3,076 thousand which consisted of the following:

<b>Location</b>	<b>Use</b>	<b>Classification</b>	<b>Years ended March 31,</b>		
			<b>2018</b>	<b>2017</b>	<b>2018</b>
			<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Hakodate-shi, Hokkaido	Airport shops	Furniture	¥121	¥1,518	\$1
Komatsu-shi, Ishikawa	Airport shops	Furniture	–	1,083	–
Miyazaki-shi, Miyazaki	Airport shops	Furniture and software	–	475	–
Amami-shi, Kagoshima	Airport shops	Furniture and other	10,031	–	95
Chuo-ku, Tokyo	Business assets	Buildings and other	219,171	–	2,068
U.S.A.(Las Vegas)	Business assets	Buildings	24,180	–	228
Laos(Sekong)	Business assets	Buildings, structures and other	163,498	–	1,542

The Company and its consolidated subsidiaries base its grouping for assessing the impairment loss on fixed assets on the smallest identifiable groups of assets which generate cash inflows and which are largely independent of the cash inflows from other assets or groups of assets.

## 11. Impairment of Fixed Assets (continued)

Impairment losses on Business assets including airport shops were recognized due to significant decrease in expected future cash flows on the strategy plan for the years ended March 31, 2018 and 2017.

The recoverable amount of each group of assets was measured by their usage value and estimated at non-recoverable by the minus of future cash flows for the years ended March 31 2018 and 2017.

## 12. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥ 182,778	¥ 160,790	\$ 1,724
Allowance for doubtful accounts	13,735	17,106	130
Liability for retirement benefits	18,511	5,952	175
Impairment losses on fixed assets	114,478	13,882	1,080
Accrued enterprise tax	66,606	46,029	628
Elimination of unrecognized gain on intercompany accounts and transactions	86,880	83,145	820
Loss on revaluation of inventories	76,702	21,924	724
Loss on revaluation of investments in securities	106	22,103	1
Tax loss carryforwards	526,911	465,842	4,971
Deferred gain or loss on hedges	29,711	–	280
Asset retirement obligation	57,457	28,315	542
Others	165,599	237,471	1,562
	<u>1,339,480</u>	<u>1,102,563</u>	<u>12,637</u>
Valuation allowance	(620,046)	(442,366)	(5,849)
Total deferred tax assets	719,433	660,196	6,787
Deferred tax liabilities:			
Accumulated retained earnings of consolidated subsidiaries	(248,485)	(244,220)	(2,344)
Asset for retirement benefits	(46,788)	(19,449)	(441)
Cost of asset retirement obligation	(28,637)	(23,514)	(270)
Deferred gain or loss on hedges	–	(10,225)	–
Others	(39,689)	(48,520)	(374)
Total deferred tax liabilities	<u>(363,600)</u>	<u>(345,930)</u>	<u>(3,430)</u>
Net deferred tax assets	<u>¥ 355,833</u>	<u>¥ 314,266</u>	<u>\$ 3,357</u>

## 12. Income Taxes (continued)

The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2018 and 2017 were as follows:

	<b>Years ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Effective statutory tax rate	30.62%	30.86%
(Reconciliations)		
Disallowed expenses, including entertainment expenses	0.92	0.78
Inhabitants' per capita taxes	0.42	0.50
Equity in earnings of affiliates	(2.73)	(1.52)
Different tax rates applied to consolidated subsidiaries	1.64	1.54
Changes in valuation allowance	3.79	(0.01)
Others	(0.13)	0.56
Actual tax rate	<u>34.53%</u>	<u>32.71%</u>

## 13. Other Comprehensive Income

The following table presents reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2018 and 2017:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net unrealized holding gain on other securities:			
Amount arising during the year	¥ 25,002	¥ 14,391	\$ 236
Amount before tax effect	25,002	14,391	236
Tax effect	(7,655)	(4,404)	(72)
Net unrealized holding gain on other securities, net of taxes	17,346	9,986	164
Deferred gain or loss on hedges:			
Amount arising during the year	(130,167)	196,676	(1,228)
Tax effect	39,936	(60,694)	377
Deferred gain or loss on hedges, net of taxes	(90,230)	135,982	(851)
Translation adjustments:			
Amount arising during the year	(52,798)	(121,379)	(498)
Retirement benefits liability adjustments:			
Amount arising during the year	23,174	22,651	219
Reclassification adjustments for gains and losses included in profit attributable to owners of the company	22,471	29,778	212
Amount before tax effect	45,645	52,429	431
Tax effect	(13,976)	(16,054)	(132)
Retirement benefits liability adjustments, net of taxes	31,668	36,375	299
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	(24,831)	(26,365)	(234)
Total other comprehensive income	<u>¥ (118,845)</u>	<u>¥ 34,600</u>	<u>\$ (1,121)</u>

## 14. Leases

### *As lessee under operating leases*

Future rental expenses under operating leases outstanding at March 31, 2018 and 2017 are summarized as follows:

	March 31,		
	2018	2017	2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Within 1 year	¥ 1,541,519	¥ 1,408,157	\$ 14,543
Over 1 year	4,061,620	2,900,984	38,317
	<u>¥ 5,603,139</u>	<u>¥ 4,309,142</u>	<u>\$ 52,860</u>

### *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, 2018 and 2017 are summarized as follows:

	March 31,		
	2018	2017	2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Within 1 year	¥ 1,092,363	¥ 928,413	\$ 10,305
Over 1 year	2,989,319	878,251	28,201
	<u>¥ 4,081,683</u>	<u>¥ 1,806,664</u>	<u>\$ 38,506</u>

## 15. Amounts Per Share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each year after giving effect to the potentially dilutive securities to be issued upon the exercise of subscription rights as stock options.

	Year ended March 31,		
	2018	2017	2018
	(Yen)		(U.S. dollars)
Net income per share of common stock:			
Basic	¥ 213.02	¥ 203.48	\$ 2.010
Diluted	—	¥ 203.46	—

Diluted net income per share is not stated in 2018 because there are no potential shares.

## 15. Amounts Per Share (continued)

The following table sets forth the basis of the computation of net income per share and diluted net income per share of common stock for the years ended March 31, 2018 and 2017:

	Year ended March 31,		
	2018	2017	2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Net income	¥ 2,693,349	¥ 2,572,550	\$ 25,409
Net income available to stockholders of shares of common stock	¥ 2,693,349	¥ 2,572,550	\$ 25,409

  

	Year ended March 31,	
	2018	2017
	(Thousands of shares)	
Weighted-average number of shares of common stock outstanding	12,643	12,642
Effect of dilutive securities:		
Subscription rights to shares	–	1

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

	March 31,		
	2018	2017	2018
	(Yen)		(U.S. dollars)
Net assets per share	¥ 1,737.48	¥ 1,583.80	\$ 16.391

## 16. Financial Instruments

### *Policy for financial instruments*

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

### *Types of financial instruments and related risk*

Notes and accounts receivable are exposed to credit risk in relation to customers. In addition, the Company is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts.

Marketable securities and investment securities are composed of mainly stocks. Those securities are exposed to market risk.

## 16. Financial Instruments (continued)

Long-term guarantee deposit are composed of mainly deposits for rental spaces of the airport buildings. Those deposits are exposed to credit risk in relation to counterparties.

All notes and accounts payable have payment due dates within one year. Although the Company is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, foreign exchange contracts are arranged to reduce the risk.

Short-term borrowings are raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Company utilizes interest rate swap transactions as a hedging instrument.

### *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 their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

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

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

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

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

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

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

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



## 16. Financial Instruments (continued)

### Estimated Fair Value of Financial Instruments

Carrying value of financial instruments and estimated fair value on the consolidated balance sheet as of March 31, 2018 and 2017 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

	<b>March 31, 2018</b>		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of yen)</i>		
<b>Assets</b>			
Cash and time deposits	¥ 6,027,362	¥ 6,027,362	¥ –
Trade notes and accounts receivable	15,452,147	15,452,147	–
Accounts receivable - other	2,643,953	2,643,953	–
Investment securities	281,312	281,312	–
<b>Total assets</b>	<b>¥ 24,404,774</b>	<b>¥ 24,404,774</b>	<b>¥ –</b>
<b>Liabilities</b>			
Trade notes and accounts payable	¥11,362,733	¥11,362,733	¥ –
Short-term borrowings	830,984	830,984	–
Accrued expenses	3,825,901	3,825,901	–
Long-term debt (*1)	4,677,533	4,681,012	3,479
<b>Total liabilities</b>	<b>¥ 20,697,153</b>	<b>¥ 20,700,632</b>	<b>¥ 3,479</b>
Derivatives (*2)	¥ (50,833)	¥ (50,833)	¥ –

	<b>March 31, 2018</b>		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
<b>Assets</b>			
Cash and time deposits	\$ 56,862	\$ 56,862	\$ –
Trade notes and accounts receivable	145,775	145,775	–
Accounts receivable- other	24,943	24,943	–
Investment securities	2,654	2,654	–
<b>Total assets</b>	<b>\$ 230,234</b>	<b>\$ 230,234</b>	<b>\$ –</b>
<b>Liabilities</b>			
Trade notes and accounts payable	\$ 107,196	\$ 107,196	\$ –
Short-term borrowings	7,839	7,839	–
Accrued expenses	36,093	36,093	–
Long-term debt (*1)	44,128	44,160	33
<b>Total liabilities</b>	<b>\$ 195,256</b>	<b>\$ 195,289</b>	<b>\$ 33</b>
Derivatives (*2)	\$ (480)	\$ (480)	\$ –

## 16. Financial Instruments (continued)

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

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

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

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

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

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

- b. Investment securities

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

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

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

- d. Long-term debt

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

## 16. Financial Instruments (continued)

### e. Derivative transactions

Refer to Note 18 Derivative Transactions of the notes to the consolidated financial statements.

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

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unlisted stocks	¥ 2,099,958	¥ 1,791,014	\$ 19,811
Long-term guarantee deposit	1,971,093	1,914,373	18,595

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*

	<b>March 31, 2018</b>			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Thousands of yen)</i>			
Cash and time deposits	¥ 6,027,362	¥ –	¥ –	¥ –
Trade notes and accounts receivable	15,452,147	–	–	–
Accounts receivable-other	2,643,953			
Investment securities with maturities:				
Bonds	–	–	–	–
Others	–	–	–	–
<b>Total</b>	<b>¥ 24,123,462</b>	<b>¥ –</b>	<b>¥ –</b>	<b>¥ –</b>

## 16. Financial Instruments (continued)

	<b>March 31, 2018</b>			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Thousands of U.S. dollars)</i>			
Cash and time deposits	\$ 56,862	\$ –	\$ –	\$ –
Trade notes and accounts receivable	145,775	–	–	–
Accounts receivable-other	24,943	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	–
Others	–	–	–	–
<b>Total</b>	<b>\$ 227,580</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>
	<b>March 31, 2017</b>			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Thousands of yen)</i>			
Cash and time deposits	¥ 6,258,404	¥ –	¥ –	¥ –
Trade notes and accounts receivable	13,604,220	–	–	–
Accounts receivable-other	2,062,307			
Investment securities with maturities:				
Bonds	–	–	–	–
Others	–	–	–	–
<b>Total</b>	<b>¥ 21,924,933</b>	<b>¥ –</b>	<b>¥ –</b>	<b>¥ –</b>

## 17. Securities

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2018 and 2017 are summarized as follows:

	<b>March 31, 2018</b>		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	<i>(Thousands of yen)</i>		
Unrealized gain:			
Stocks	¥ 281,312	¥ 255,094	¥ 26,217
Bonds:			
Others	-	-	-
Others	-	-	-
Total	<u>¥ 281,312</u>	<u>¥ 255,094</u>	<u>¥ 26,217</u>

	<b>March 31, 2018</b>		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Unrealized gain:			
Stocks	\$ 2,654	\$ 2,407	\$ 247
Bonds:			
Others	-	-	-
Others	-	-	-
Total	<u>\$ 2,654</u>	<u>\$ 2,407</u>	<u>\$ 247</u>

	<b>March 31, 2017</b>		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	<i>(Thousands of yen)</i>		
Unrealized gain:			
Stocks	¥ 257,223	¥ 254,792	¥ 2,431
Bonds:			
Others	-	-	-
Others	-	-	-
Total	<u>¥ 257,223</u>	<u>¥ 254,792</u>	<u>¥ 2,431</u>

Non-marketable securities classified as other securities at March 31, 2018 and 2017 amounted to ¥202,104 thousand (\$1,907thousand) and ¥200,888 thousand, respectively.

## 17. Securities (continued)

Proceeds from sales of securities classified as other securities and the aggregate gain and loss for the year ended March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Sales proceeds:			
Stocks	¥ –	¥ 300	\$ –
Others	–	–	–
	<u>¥ –</u>	<u>¥ 300</u>	<u>\$ –</u>
Aggregate gain:			
Stocks	¥ –	¥ –	\$ –
Others	–	–	–
	<u>¥ –</u>	<u>¥ –</u>	<u>\$ –</u>
Aggregate loss:			
Stocks	¥ –	¥ 500	\$ –
Others	–	–	–
	<u>¥ –</u>	<u>¥ 500</u>	<u>\$ –</u>

## 18. 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, 2018 and 2017 for which hedged accounting has not been applied, are summarized as follows:

	<b>March 31, 2018</b>	
	<u>Notional amount</u>	<u>Fair value</u>
	<i>(Thousands of yen)</i>	
Maturing within one year		
Sell:		
USD	¥ 1,253,726	¥ 46,199
Total	<u>¥ 1,253,726</u>	<u>¥ 46,199</u>
	<b>March 31, 2018</b>	
	<u>Notional amount</u>	<u>Fair value</u>
	<i>(Thousands of U.S. dollars)</i>	
Maturing within one year		
Sell:		
USD	\$ 11,828	\$ 436
Total	<u>\$ 11,828</u>	<u>\$ 436</u>

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

The notional amounts and the estimated fair value of the forward foreign exchange contracts outstanding at March 31, 2018 and 2017, for which hedged accounting has been applied, are summarized as follows:

Maturing within one year	<b>March 31, 2018</b>	
	Notional amount	Fair value
	<i>(Thousands of yen)</i>	
Sell:		
USD	¥ 340,765	¥ 4,587
EUR	4,611	(187)
Buy:		
USD	5,275,953	(94,061)
EUR	643,948	(6,613)
THB	157,772	(1,347)
Others	152,324	589
Total	¥ 6,575,373	¥ (97,032)

Maturing within one year	<b>March 31, 2018</b>	
	Notional amount	Fair value
	<i>(Thousands of U.S. dollars)</i>	
Sell:		
USD	\$ 3,215	\$ 43
EUR	44	(2)
Buy:		
USD	49,773	(887)
EUR	6,075	(62)
THB	1,488	(13)
Others	1,437	6
Total	\$ 62,032	\$ (915)

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

## 18. Derivative Transactions (continued)

Foreign receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met. The notional amounts of the forward foreign exchange contracts accounted for as part of accounts receivable or payable outstanding at March 31, 2018 and 2017, are summarized as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Sell:			
USD	¥ 344,494	¥ 188,127	\$ 3,250
EUR	8,946	85,283	84
Buy:			
USD	1,521,192	502,894	14,351
EUR	54,956	29,226	518
THB	50,348	30,590	475
Others	31,306	4,032	295
Total	<u>¥ 2,011,242</u>	<u>¥ 840,152</u>	<u>\$ 18,974</u>

The Company also utilizes interest rate swap transactions to reduce fluctuation risk deriving from interest payable for long-term debt bearing interest at variable rates. The related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment of interest expense on the hedged items if certain conditions are met. The notional amounts of the interest-rate swaps hedging long-term debt outstanding at March 31, 2018 and 2017, are summarized as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maturing within one year	¥ –	¥ 60,000	\$ –
Maturing after one year	–	–	–
Total	<u>¥ –</u>	<u>¥ 60,000</u>	<u>\$ –</u>

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



## 19. Investment and Rental Properties

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

The carrying value in the consolidated balance sheet and corresponding fair value of those properties for the year ended March 31, 2018 are as follows:

March 31, 2018	Carrying Value		Fair Value
	Net change	March 31, 2017	March 31, 2018
<i>(Thousands of yen)</i>			
¥ 1,006,175	¥ (82,178)	¥ 1,088,353	¥ 1,025,093

March 31, 2018	Carrying Value		Fair Value
	Net change	March 31, 2017	March 31, 2018
<i>(Thousands of U.S. dollars)</i>			
\$ 9,492	\$ (775)	\$ 10,267	\$ 9,671

The components of net change in carrying value include decreases mainly due to transfer to movables from Construction in progress in the amount of ¥378,926 thousand (\$3,575thousand) and increases mainly due to acquisitions of real estate in the amount of ¥251,963 thousand (\$2,377 thousand).

The carrying value in the consolidated balance sheet and corresponding fair value of those properties for the year ended March 31, 2017 were as follows:

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

The components of net change in carrying value include increases mainly due to acquisitions of real estate in the amount of ¥1,321,573 thousand and decreases mainly due to transfer to real estate held for sale in the amount of ¥1,290,535 thousand.

Because it is difficult to determine the fair value, the properties under development in the amount of ¥784,507 thousand are not included in the above table.

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.

## 20. Cash Flow Information

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

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥ 6,027,362	¥ 6,258,404	\$ 56,862
Time deposits with maturities of more than three months	(5,789)	(4,919)	(55)
Bank overdraft	–	(39,609)	–
	<u>¥ 6,021,572</u>	<u>¥ 6,213,875</u>	<u>\$ 56,807</u>

The significant noncash transactions are summarized as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Transfer from Tangible Asset to Real estate held for sale	¥ –	¥1,290,535	\$ –

## 21. Segment Information

The reportable segments of the Company and its consolidated subsidiaries are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

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

In addition, due to the organizational change, the Printing, paper and packaging materials business and special vehicles business were transferred to Life service business segment, which were classified as Aviation & airport-related business segment until the previous consolidated fiscal year, and Foods Gift business was transferred to Retail business segment from Food & beverage business segment. Furthermore the new departments (project Head office planning office etc.) which was not attributable to the report in previous consolidated fiscal year, were also transferred to each segments. With the above change, the figures for each reporting item in the previous consolidated fiscal year have been restated to conform to the presentation for the current consolidated fiscal year.

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

The reportable segments information of the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2017 are summarized as follows:

## 21. Segment Information (continued)

	Year ended March 31, 2018						
	Reportable segments					Adjustments and eliminations	Consolidated
	Aviation & airport-related business	Life service business	Retail business	Food & beverage business	Total		
	<i>(Thousands of yen)</i>						
Sales, profits and assets by reportable segments:							
Sales to outside parties	¥56,852,577	¥13,414,866	¥59,171,481	¥23,965,168	¥153,404,093	¥	¥153,404,093
Inter-segment sales and transfers	11,972	135,866	73,859	975,887	1,197,586	(1,197,586)	–
Total	56,864,549	13,550,733	59,245,341	24,941,056	154,601,679	(1,197,586)	153,404,093
Segment profits	¥ 784,654	¥ 1,134,349	¥ 3,721,463	¥ 795,661	¥ 6,436,128	¥(1,727,065)	¥ 4,709,063
Segment assets	¥16,934,020	¥ 6,338,145	¥14,891,245	¥ 9,397,296	¥ 47,560,708	¥ 1,452,724	¥ 49,013,432
Other items:							
Depreciation and amortization	¥ 146,457	¥ 96,556	¥ 330,856	¥ 78,432	¥ 652,302	¥ 89,857	¥ 742,160
Investment in affiliates accounted for by the equity method	¥ 598,503	¥ 336,005	¥ 482,467	¥ –	¥ 1,416,976	¥ 419,620	¥ 1,836,596
Capital expenditures	¥ 768,283	¥ 264,180	¥ 537,748	¥ 47,801	¥ 1,618,014	¥ 89,925	¥ 1,707,939
	<b>Year ended March 31, 2018</b>						
	Reportable segments						
	Aviation & airport-related business	Life service business	Retail business	Food & beverage business	Total	Adjustments and eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>						
Sales, profits and assets by reportable segments:							
Sales to outside parties	\$536,345	\$ 126,555	\$558,222	\$226,086	\$ 1,447,208	\$ –	\$1,447,208
Inter-segment sales and transfers	113	1,282	697	9,206	11,298	(11,298)	–
Total	536,458	127,837	558,918	235,293	1,458,506	(11,298)	1,447,208
Segment profits	\$ 7,402	\$ 10,701	\$ 35,108	\$ 7,506	\$ 60,718	\$(16,293)	\$ 44,425
Segment assets	\$159,755	\$ 59,794	\$140,483	\$ 88,654	\$448,686	\$ 13,705	\$462,391
Other items:							
Depreciation and amortization	\$ 1,382	\$ 911	\$ 3,121	\$ 740	\$ 6,154	\$ 848	\$ 7,002
Investment in affiliates accounted for by the equity method	\$ 5,646	\$ 3,170	\$ 4,552	\$ –	\$ 13,368	\$ 3,959	\$ 17,326
Capital expenditures	\$ 7,248	\$ 2,492	\$ 5,073	\$ 451	\$ 15,264	\$ 848	\$ 16,113

Adjustments and eliminations for segment profits and losses include minus ¥ 421 thousand (\$4 thousand) of elimination of inter-segment profit and minus ¥1,726,644 thousand (\$16,289thousand) of corporate general administration expenses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥145,050 thousand (\$1,368 thousand) of elimination of accounts inter-segment receivable and ¥1,597,775 thousand (\$15,073 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.

## 21. Segment Information (continued)

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

	Year ended March 31, 2017					Adjustments and eliminations	Consolidated
	Reportable segments						
	Aviation & airport-related business	Life service business	Retail business	Food & beverage business	Total		
	<i>(Thousands of yen)</i>						
Sales, profits and assets by reportable segments:							
Sales to outside parties	¥52,128,687	¥12,834,132	¥53,064,638	¥25,190,455	¥143,217,913	¥	¥143,217,913
Inter-segment sales and transfers	17,464	105,307	60,321	878,617	1,061,710	(1,061,710)	–
Total	52,146,151	12,939,439	53,124,959	26,069,073	144,279,624	(1,061,710)	143,217,913
Segment profits	¥ 791,817	¥ 1,141,379	¥ 2,662,572	¥ 1,132,442	¥ 5,728,212	¥(1,671,699)	¥ 4,056,513
Segment assets	¥12,524,754	¥ 7,215,090	¥14,662,430	¥ 9,692,450	¥ 44,094,725	¥ (159,808)	¥ 43,934,917
Other items:							
Depreciation and amortization	¥ 55,231	¥ 39,957	¥ 263,373	¥ 105,558	¥ 464,120	¥ 95,919	¥ 560,039
Investment in affiliates accounted for by the equity method	¥ 349,276	¥ 328,232	¥ 461,448	¥ –	¥ 1,138,958	¥ 407,722	¥ 1,546,680
Capital expenditures	¥ 920,695	¥ 1,331,870	¥ 676,059	¥ 61,835	¥ 2,990,461	¥ 55,126	¥ 3,045,587

Adjustments and eliminations for segment profits and losses include minus ¥ 302 thousand of elimination of inter-segment profit and minus ¥1,671,397 thousand of corporate general administration expenses which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥1,119,229 thousand of elimination of accounts inter-segment receivable and ¥959,421 thousand of corporate assets which are not allocable to the reportable segments. Corporate assets consist primarily of investments in securities and assets belonging to the administrative part of the Company.

Adjustments and eliminations for capital expenditures consist primarily of investments in the subsidiary's head office software.

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

For the years ended March 31, 2018 and 2017, net sales to outside parties in Japan represent more than 90% of consolidated operating revenues. As a result, net sales to outside parties by countries or areas grouped according to geographical classification are not required to be disclosed.

## 21. Segment Information (continued)

Property, plant and equipment by geographical countries or areas at March 31, 2018 and 2017 are summarized as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Japan	¥ 1,476,270	¥ 1,716,298	\$ 13,927
Thailand	1,499,573	1,211,365	14,147
Singapore	1,514,609	912,252	14,289
Other foreign countries	245,294	375,494	2,314
	<u>¥ 4,735,748</u>	<u>¥ 4,215,411</u>	<u>\$ 44,677</u>

Net sales to major customers for the fiscal year ended March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
IHI Corporation	¥ 34,652,224	¥ 35,969,978	\$ 326,908
(Aviation & airport-related business)			

Impairment loss on fixed assets by reportable segments for the years ended March 31, 2018 and 2017 are summarized as follows:

	<b>March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Aviation & airport-related business	¥ –	¥ –	\$ –
Life service business	–	–	–
Retail business	253,504	3,076	2,392
Food & beverage business	163,498	–	1,542
Reportable segments total	<u>417,003</u>	<u>3,076</u>	<u>3,934</u>
Adjustments and eliminations	–	–	–
	<u>¥ 417,003</u>	<u>¥ 3,076</u>	<u>\$ 3,934</u>

## 22. Related Party Transactions

The significant transactions between the Company and Japan Airline Co., Ltd., for the years ended March 31, 2018 and 2017 are summarized as follows:

	Year ended March 31,		
	2018	2017	2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Sales of flight equipment	¥ 5,416,305	¥ 5,435,984	\$ 51,097
Purchases of merchandise	325,567	309,511	3,071

  

	March 31,		
	2018	2017	2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Accounts receivable	¥ 575,922	¥ 597,178	\$ 5,433
Accounts payable	62,387	56,873	589

The significant transactions between certain consolidated subsidiaries of the Company and Japan Airlines Co., Ltd. for the years ended March 31, 2018 and 2017 are summarized as follows:

	Year ended March 31,		
	2018	2017	2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Sales of flight equipment	¥ 295,127	¥ 245,897	\$ 2,784

  

	March 31,		
	2018	2017	2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Accounts receivable	¥ 33,057	¥ 25,608	\$ 312

## 23. Contingent liabilities

As guarantors of indebtedness to unconsolidated subsidiaries and affiliates, for the years ended March 31, 2018 and 2017 are summarized as follows:

	Year ended March 31,		
	2018	2017	2018
	(Thousands of yen)		(Thousands of U.S. dollars)
MC-Jalux Airport Services Co.,Ltd.	¥ 99,104	¥ 77,639	\$ 935