

**Consolidated Financial Statements of  
JALUX Inc. and Consolidated Subsidiaries**

**JALUX Inc.**

*Year ended March 31, 2020  
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, 2020 and 2019, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, 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, 2020 and 2019, and its consolidated financial performance and 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.

### **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 auditors are responsible for overseeing the directors' performance of their duties including 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.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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 4 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.

Mitsutake Mamiya  
Designated Engagement Partner  
Certified Public Accountant

Daisuke Yamada  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
September 18, 2020

# JALUX Inc. and Consolidated Subsidiaries

## Consolidated Balance Sheets

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
<b>Assets</b>			
Current assets:			
Cash and time deposits <i>(Notes 17 and 21)</i>	¥ 6,175,441	¥ 6,050,750	\$ 56,655
Trade notes and accounts receivable <i>(Notes 17 and 23)</i>	22,106,818	21,328,708	202,815
Inventories <i>(Note 5)</i>	15,921,436	14,371,088	146,068
Accounts receivable - other <i>(Note 17)</i>	2,733,013	2,994,748	25,074
Others	1,832,571	1,674,454	16,813
Allowance for doubtful accounts	(3,813)	(20,916)	(35)
Total current assets	<u>48,765,467</u>	<u>46,398,833</u>	<u>447,390</u>
Property and equipment <i>(Notes 6, 12, 15 and 20)</i> :			
Buildings and structures	2,098,428	1,977,380	19,252
Machinery and vehicles	1,372,708	1,601,841	12,594
Land	861,962	407,227	7,908
Construction in process	53,703	36,784	493
Others	880,033	484,977	8,074
Property and equipment, net	<u>5,266,836</u>	<u>4,508,210</u>	<u>48,320</u>
Intangible assets:			
Software <i>(Note 12)</i>	643,650	458,202	5,905
Others	30,158	32,716	277
Total intangible assets	<u>673,808</u>	<u>490,919</u>	<u>6,182</u>
Investments and other assets:			
Investment securities <i>(Notes 7, 17 and 18)</i>	3,152,371	2,701,645	28,921
Long-term loans receivable	19,155	29,494	176
Long-term guarantee deposit <i>(Note 17)</i>	2,334,474	1,979,203	21,417
Deferred tax assets <i>(Note 13)</i>	471,658	582,190	4,327
Asset for retirement benefits <i>(Note 9)</i>	1,730	75,903	16
Others	170,395	136,156	1,563
Allowance for doubtful accounts	(11,157)	(15,556)	(102)
Total investment and other assets	<u>6,138,628</u>	<u>5,489,037</u>	<u>56,318</u>
Total assets	<u>¥ 60,844,741</u>	<u>¥ 56,887,000</u>	<u>\$ 558,209</u>

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
<b>Liabilities and net assets</b>			
Current liabilities:			
Trade notes and accounts payable <i>(Notes 17 and 23)</i>	¥ 10,668,290	¥ 8,687,138	\$ 97,874
Short-term borrowings and Current portion of long-term debt <i>(Notes 8 and 17)</i>	7,796,865	7,741,919	71,531
Commercial papers <i>(Notes 8 and 17)</i>	5,999,788	2,999,997	55,044
Accrued income taxes	167,263	1,001,952	1,535
Accrued expenses <i>(Note 17)</i>	4,670,758	5,767,120	42,851
Others <i>(Note 8)</i>	2,401,342	3,130,047	22,031
Total current liabilities	<u>31,704,308</u>	<u>29,328,176</u>	<u>290,865</u>
Long-term liabilities:			
Long-term debt <i>(Notes 8 and 17)</i>	502,806	940,569	4,613
Liability for retirement benefits <i>(Note 9)</i>	28,724	43,928	264
Deferred tax liabilities <i>(Note 13)</i>	7,767	9,577	71
Others	554,523	513,446	5,087
Total long-term liabilities	<u>1,093,822</u>	<u>1,507,521</u>	<u>10,035</u>
Total liabilities	<u>32,798,130</u>	<u>30,835,698</u>	<u>300,900</u>
Net assets <i>(Note 10)</i> :			
Shareholders' equity:			
Common stock	2,558,550	2,558,550	23,473
Capital surplus	688,723	688,723	6,319
Retained earnings	23,717,113	21,458,367	217,588
Common stock in treasury	(135,373)	(135,155)	(1,242)
Total shareholders' equity	<u>26,829,013</u>	<u>24,570,484</u>	<u>246,138</u>
Accumulated other comprehensive income:			
Net unrealized gain (loss) on other securities, net of taxes <i>(Note 18)</i>	780	19,295	7
Deferred gain or loss on hedges, net of taxes <i>(Note 19)</i>	(10,630)	(17,932)	(98)
Translation adjustments	(369,650)	(392,253)	(3,391)
Retirement benefits liability adjustments <i>(Note 9)</i>	(111,618)	(50,884)	(1,024)
Total accumulated other comprehensive income	<u>(491,119)</u>	<u>(441,774)</u>	<u>(4,506)</u>
Non-controlling interests	1,708,717	1,922,592	15,676
Total net assets	<u>28,046,611</u>	<u>26,051,302</u>	<u>257,308</u>
Total liabilities and net assets	<u>¥ 60,844,741</u>	<u>¥ 56,887,000</u>	<u>\$ 558,209</u>

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

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

	Years ended March 31,		
	2020	2019	2020
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
Operating revenues <i>(Notes 22 and 23)</i>	¥144,688,049	¥ 185,726,096	\$ 1,327,413
Operating expenses <i>(Notes 22 and 23)</i> :			
Cost of sales	118,847,293	159,136,030	1,090,342
Selling, general and administrative expenses	21,870,919	21,961,971	200,651
	<u>140,718,213</u>	<u>181,098,001</u>	<u>1,290,993</u>
Operating income	<u>3,969,836</u>	<u>4,628,094</u>	<u>36,421</u>
Non-operating income (expenses):			
Interest income <i>(Notes 22)</i>	3,085	8,205	28
Interest expense <i>(Notes 22)</i>	(98,223)	(155,353)	(901)
Equity in earnings of affiliates <i>(Notes 22)</i>	687,274	568,691	6,305
Others, net <i>(Note 11)</i>	(6,958)	(53,535)	(64)
	<u>585,177</u>	<u>368,008</u>	<u>5,369</u>
Net Profit before income taxes	<u>4,555,014</u>	<u>4,996,103</u>	<u>41,789</u>
Income taxes <i>(Note 13)</i> :			
Current	983,705	1,760,665	9,025
Deferred	150,836	(227,371)	1,384
	<u>1,134,542</u>	<u>1,533,293</u>	<u>10,409</u>
Net Profit	<u>3,420,471</u>	<u>3,462,809</u>	<u>31,380</u>
Net Profit attributable to:			
Non-controlling interests	339,386	499,908	3,114
Owners of the company	<u>¥ 3,081,085</u>	<u>¥ 2,962,900</u>	<u>\$28,267</u>

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

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Years ended March 31,		
	2020	2019	2020
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
Net Profit	¥ 3,420,471	¥ 3,462,809	\$ 31,380
Other comprehensive income:			
Net unrealized holding gain (loss) on other securities, net of taxes	(13,737)	(793)	(126)
Deferred gain or loss on hedges, net of taxes	7,301	49,389	67
Translation adjustments	(53,771)	(86,133)	(493)
Retirement benefits liability adjustment, net of tax	(60,734)	(21,667)	(557)
Share of other comprehensive income of companies accounted for by the equity method	72,996	(55,088)	670
Total other comprehensive income <i>(Note 14)</i>	(47,944)	(114,293)	(440)
Comprehensive income	¥ 3,372,526	¥ 3,348,516	\$ 30,941
Comprehensive income attributable to:			
Owners of the company	¥ 3,031,740	¥ 2,856,689	\$ 27,814
Non-controlling interests	¥ 340,786	¥ 491,826	\$ 3,126

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

**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 18)	Deferred gain or loss on hedges, net of taxes (Note 19)	Translation adjustments	Retirement benefits liability adjustments (Note 9)	Non- controlling interests	Total net assets
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
Cash dividends (Note 10) (¥55 per share)				(695,831)							(695,831)
Net income for the year ended March 31, 2019				2,962,900							2,962,900
Purchase of common stock in treasury					(346)						(346)
Others						(2,383)	49,389	(131,549)	(21,667)	256,255	150,043
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 10) (¥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

	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 18)	Deferred gain or loss on hedges, net of taxes (Note 19)	Translation adjustments	Retirement benefits liability adjustments (Note 9)	Non- controlling interests	Total net assets
Balance at March 31, 2019	12,775,000	\$ 23,473	\$ 6,319	\$ 196,866	\$ (1,240)	\$ 177	\$ (165)	\$ (3,599)	\$ (467)	\$ 17,638	\$ 239,003
Cash dividends (\$0.60 per share)				(7,544)							(7,544)
Net income for the year ended March 31, 2020				28,267							28,267
Purchase of common stock in treasury					(2)						(2)
Others						(170)	67	207	(557)	(1,962)	(2,415)
Balance at March 31, 2020	12,775,000	\$ 23,473	\$ 6,319	\$ 217,588	\$ (1,242)	\$ 7	\$ (98)	\$ (3,391)	\$ (1,024)	\$ 15,676	\$ 257,308

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



# JALUX Inc. and Consolidated Subsidiaries

## Consolidated Statements of Cash Flows

	Years ended March 31,		
	2020	2019	2020
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 4)</i>
<b>Operating activities</b>			
Net Profit before income taxes	¥ 4,555,014	¥ 4,996,103	\$ 41,789
Depreciation and amortization	1,006,851	867,994	9,237
Increase (decrease) in provision for allowance for doubtful accounts	(21,274)	(12,383)	(195)
Decrease (increase) in asset for retirement benefits	(26,434)	(25,691)	(243)
Increase (decrease) in liability for retirement benefits	9,749	5,043	89
Interest and dividend income	(30,093)	(30,484)	(276)
Interest expense	98,223	155,353	901
Exchange loss (gain), net	21,333	(16,397)	196
Equity in earnings of affiliates	(687,274)	(568,691)	(6,305)
Loss (gain) on sales of, and loss on disposal of property and equipment	26,293	53,165	241
Impairment losses on fixed assets	80,822	4,472	741
Loss (gain) on sales of subsidiary securities <i>(Note 21)</i>	32,191	37,518	295
Loss(gain) on sales of affiliates securities	48,601	–	446
Loss(gain) on sales of investments in securities	(3,360)	–	(31)
Decrease (increase) in notes and accounts receivable	(259,272)	(5,894,235)	(2,379)
Decrease (increase) in inventories	(1,863,574)	(1,261,245)	(17,097)
Increase (decrease) in notes and accounts payable	2,159,747	(2,642,048)	19,814
Decrease (increase) in advance payment	(398,928)	(392,905)	(3,660)
Increase(decrease) in advance received	(79,327)	59,558	(728)
Increase(decrease) in accrued expense	(1,079,097)	1,876,366	(9,900)
Decrease(increase) in bad debts on receivables	3,513	12,144	32
Others, net	(567,720)	107,033	(5,208)
Subtotal	3,025,982	(2,669,327)	27,761
Interest and dividends received	408,885	183,779	3,751
Interest paid	(99,284)	(156,059)	(911)
Income taxes paid	(1,847,106)	(1,821,796)	(16,946)
Net cash provided by (used in) operating activities	1,488,476	(4,463,404)	13,656
<b>Investing activities</b>			
Purchases of property and equipment	(1,956,365)	(509,435)	(17,948)
Proceeds from sales of property and equipment	6,450	2,522	59
Purchases of intangible assets	(321,119)	(248,565)	(2,946)
Proceeds from sales of intangible assets	580	–	5
Purchases of investments in securities	(216,673)	(333)	(1,988)
Proceeds from sales of investments in securities	17,437	–	160
Purchases of affiliates securities	(33,000)	–	(303)
Proceeds from sales of affiliates securities	462,081	–	4,239
Payments from changes in ownership interests in subsidiaries that result in change in scope of consolidation <i>(Note 21)</i>	(229,414)	(15,131)	(2,105)
Long-term loans receivable made	–	(1,910)	–
Collection of long-term loans	13,612	136,403	125
Increase in long-term guarantee deposit	(437,053)	(140,429)	(4,010)
Decrease in long-term guarantee deposit	52,270	110,581	480
Others, net	(103,163)	(39,871)	(946)
Net cash provided by (used in) investing activities	(2,744,356)	(706,170)	(25,178)

**Financing activities**

Increase (decrease) in short-term borrowings, net	428,230	4,672,826	3,929
Increase (decrease) in commercial papers, net	2,999,791	2,999,997	27,521
Repayment of long-term loans	(876,537)	(1,454,249)	(8,042)
Proceeds from share issuance to non-controlling shareholders	54,106	–	496
Dividends paid to stockholders	(821,984)	(695,453)	(7,541)
Dividends paid to minority stockholders	(340,000)	(274,359)	(3,119)
Others, net	(25,067)	(37,553)	(230)
Net cash provided by (used in) financing activities	1,418,538	5,211,207	13,014
Effect of exchange rate changes on cash and cash equivalents	(34,279)	(19,903)	(314)
Net increase (decrease) in cash and cash equivalents	128,378	21,729	1,178
Cash and cash equivalents at beginning of the year	6,043,301	6,021,572	55,443
Cash and cash equivalents at end of the year ( <i>Note 21</i> )	<u>¥ 6,171,679</u>	<u>¥ 6,043,301</u>	<u>\$ 56,621</u>

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

JALUX Inc. and Consolidated Subsidiaries  
Notes to Consolidated Financial Statements

March 31, 2020

**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 fourteen 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 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 31, 2020)

- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 31, 2020)

### **(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. Additional information

Due to spreading of COVID-19, the Company and its consolidated subsidiaries have been temporarily closing 35 airport-stores out of 75 stores and all the 9 duty-free stores since April 2020. We have been also taking measures by temporarily suspending the business and partially reducing the business even in other stores, day care facilities for the elderly and business sites including overseas.

Although the impact of COVID-19 pandemic cannot be accurately predicted as it is highly uncertain, our accounting estimates such as impairment of fixed assets and recoverability of deferred tax assets are based on the condition that the current impact will last for the first half year and will be halved for the second half year. We expect Retail business and Foods Beverage business sales volumes to be affected.

### 4. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥109.00 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2020, 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.

### 5. Inventories

Inventories at March 31, 2020 and 2019 were as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Merchandise and finished products	¥ 15,590,646	¥ 14,227,793	\$ 143,033
Real estate held for sale	268,468	73,297	2,463
Raw materials and supplies	62,321	69,997	572
	<u>¥ 15,921,436</u>	<u>¥ 14,371,088</u>	<u>\$ 146,068</u>

Revaluation loss included in “Cost of sales” amounted to ¥46,644 thousand (\$428thousand) and ¥1,076,767 thousand for the years ended March 31, 2020 and 2019.

### 6. Property and Equipment

The following table sets forth the acquisition costs and related accumulated depreciation of certain property and equipment at March 31, 2020 and 2019:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Buildings and structures	¥ 3,489,430	¥ 3,839,752	\$ 32,013
Machinery and vehicles	2,177,701	2,325,443	19,979
Others	1,896,565	1,783,139	17,400
	<u>7,563,698</u>	<u>7,948,334</u>	<u>69,392</u>
Accumulated depreciation	<u>(3,212,528)</u>	<u>(3,884,136)</u>	<u>(29,473)</u>
	<u>¥ 4,351,170</u>	<u>¥ 4,064,198</u>	<u>\$ 39,919</u>

## 7. Investments and Other Assets

Investments in unconsolidated subsidiaries and affiliates included in “Investment securities” as of March 31, 2020 and 2019 amounted to ¥2,486,974 thousand (\$22,816 thousand) and ¥2,219,650 thousand, respectively.

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

Short-term borrowings and Long-term debt at March 31, 2020 and 2019 consisted of the following:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</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 1.24%	¥7,367,908	¥5,498,360	\$67,595
Commercial papers	5,999,788	2,999,997	55,044
	<u>¥ 13,367,697</u>	<u>¥ 8,498,357</u>	<u>\$ 122,639</u>
Long-term debt:			
Long-term debt without collateral, due 2020 to 2024, with weighted-average interest rate of 2.12%	¥931,763	¥3,184,128	\$8,548
Lease obligations	30,333	67,949	278
	962,096	3,252,078	8,827
Less current portion	(443,486)	(2,269,949)	(4,069)
	<u>¥ 518,610</u>	<u>¥ 982,129</u>	<u>\$ 4,758</u>

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

The aggregate annual maturities of long-term debt subsequent to March 31, 2020 are summarized as follows:

Year ending March 31,	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2021	¥ 428,956	\$ 3,935
2022	228,956	2,101
2023	68,462	628
2024	205,387	1,884
	¥ 931,763	\$ 8,548

The aggregate annual maturities of lease obligations subsequent to March 31, 2020 are summarized as follows:

Year ending March 31,	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2021	¥ 14,530	\$ 133
2022	9,164	84
2023	5,339	49
2024	1,093	10
2025	205	2
	¥ 30,333	\$ 278

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, 2020 and 2019 were as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Total commitment available	¥6,000,000	¥4,100,000	\$55,046
Less amount utilized	—	—	—
Balance available	¥6,000,000	¥4,100,000	\$55,046



## 9. Retirement Benefit Plan

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

*Plan excluding that calculated by simplified method*

The changes in the retirement benefit obligation during the years ended March 31, 2020 and 2019 were as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 2,484,034	¥ 2,467,371	\$ 22,789
Service cost	123,333	122,245	1,131
Interest cost	20,369	20,232	187
Adjustment for actuarial assumptions	16,018	34,732	147
Retirement benefit paid	(111,663)	(160,547)	(1,024)
Balance at the end of the year	<u>¥ 2,532,092</u>	<u>¥ 2,484,034</u>	<u>\$ 23,230</u>

The changes in plan assets during the year ended March 31, 2020 and 2019 were as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥2,559,937	¥2,578,061	\$23,486
Expected return on plan assets	63,998	64,451	587
Adjustment for actuarial assumptions	(84,588)	(25,745)	(776)
Contributions by the Company	106,138	103,717	974
Retirement benefit paid	(111,663)	(160,547)	(1,024)
Balance at the end of the year	<u>¥2,533,822</u>	<u>¥2,559,937</u>	<u>\$23,246</u>

## 9. 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, 2020 and 2019 for the Company's defined benefit plans:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 2,532,092	¥ 2,484,034	\$ 23,230
Plan assets at fair value	(2,533,822)	(2,559,937)	(23,246)
	(1,730)	(75,903)	(16)
Unfunded retirement benefit obligation	-	-	-
Net asset for retirement benefits in the balance sheet	(1,730)	(75,903)	(16)
Liability for retirement benefits	-	-	-
Asset for retirement benefits	(1,730)	(75,903)	(16)
Net asset for retirement benefits in the balance sheet	¥ (1,730)	¥ (75,903)	\$ (16)

The components of retirement benefit expenses for the years ended March 31, 2020 and 2019 were as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 123,333	¥ 122,245	\$ 1,131
Interest cost	20,369	20,232	187
Expected return on plan assets	(63,998)	(64,451)	(587)
Amortization of adjustment for actuarial assumptions	13,068	29,248	120
Retirement benefit expense	¥ 92,773	¥ 107,274	\$ 851

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2020 and 2019 were as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Adjustment for actuarial assumptions	¥ 87,538	¥ 31,229	\$ 803
Total	¥ 87,538	¥ 31,229	\$ 803

## 9. 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, 2020 and 2019 were as follows:

	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Unrecognized adjustment for actuarial assumptions	¥ 160,880	¥ 73,341
Total	¥ 160,880	¥ 73,341
		\$ 1,476
		\$ 1,476

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2019 were as follows:

	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
Bonds	21.2%	19.0%
Stocks	19.8	23.5
General account assets	57.0	55.2
Others	2.0	2.3
Total	100.0%	100.0%

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

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

	<b>March 31,</b>	
	<b>2020</b>	<b>2019</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%

## 9. Retirement Benefit Plan (continued)

### *Plan calculated by the simplified method*

The changes in the retirement benefit obligation for consolidated subsidiaries adopting the simplified method during the year ended March 31, 2020 and 2019 were as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 43,928	¥ 39,177	\$ 403
Retirement benefit expense	26,133	22,658	240
Retirement benefit paid	(4,402)	(6,117)	(40)
Contribution to pension plans	(12,140)	(11,210)	(111)
Translation adjustment	2,193	(580)	20
Decrease from change in scope of consolidation	(26,988)	—	(248)
Balance at the end of the year	<u>¥ 28,724</u>	<u>¥ 43,928</u>	<u>\$ 264</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, 2020 and 2019 for consolidated subsidiaries adopting the simplified method:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 131,922	¥ 127,572	\$ 1,210
Plan assets at fair value	(125,065)	(117,973)	(1,147)
	6,856	9,598	63
Unfunded retirement benefit obligation	21,867	34,329	201
Net liability for retirement benefits in the balance sheet	28,724	43,928	264
Liability for retirement benefits	28,724	43,928	264
Net liability for retirement benefits in the balance sheet	<u>¥ 28,724</u>	<u>¥ 43,928</u>	<u>\$ 264</u>

Retirement benefit expenses for the simplified method of ¥26,133 thousand (\$240 thousand) and ¥22,658 thousand were accounted for the years ended March 31, 2020 and 2019.

### *Defined contribution plans*

Contribution made to defined contribution plans for the years ended March 31, 2020 and 2019 were ¥145,711 thousand (\$1,337 thousand) and ¥137,754 thousand, respectively.

## 10. 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, 2020 and 2019 were as follows:

	Year ended March 31, 2020			At March 31, 2020
	At March 31, 2019	Increase	Decrease	
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.

## 10. Net Assets (continued)

	Year ended March 31, 2019			At March 31, 2019
	At March 31, 2018	Increase	Decrease	
		<i>(Thousands of shares)</i>		
Number of shares of stock in issue:				
Common stock	12,775	–	–	12,775
Number of shares of common stock in treasury:				
Common stock	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 with the cut-off date in the year ended March 31, 2020 and effective date in the year ended March 31, 2021.

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, 2020	Common stock	¥632,564	\$5,803	¥50.0	\$0.46	March 31, 2020	June 17, 2020

### 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 14, 2019	Common stock	¥822,339	\$7,544	¥65.0	\$0.60	March 31, 2019	June 17, 2019

## 11. Other Income (Expenses)

The components of “Others, net” in “Non-operating income (expenses)” in the period ended March 31, 2020 and 2019 were as follows:

	Years ended March 31,		
	2020	2019	2020
	(Thousands of yen)		(Thousands of U.S. dollars)
Dividends received	¥ 27,007	¥ 22,278	\$ 248
Exchange gain (loss), net	64,000	(62,030)	587
Gain on sales of property and equipment	807	1,505	7
Gain on sales of subsidiary securities	9,630	–	88
Loss on sales of subsidiary securities	(41,822)	(37,518)	(384)
Loss on sales of affiliates securities	(48,601)	–	(446)
Gain on sales of investments in securities	3,360	–	31
Commission paid	(12,559)	(8,088)	(115)
Loss on sales and disposal of property and equipment	(27,100)	(54,670)	(249)
Impairment losses on fixed assets	(80,822)	(4,472)	(741)
Others, net	99,141	89,462	910
	¥ (6,958)	¥ (53,535)	\$ (64)

## 12. Impairment of Fixed Assets

For the year ended March 31, 2020, the Company and a consolidated subsidiary recognized impairment losses on fixed assets of ¥80,822 thousand (\$741 thousand), and for the year ended March 31, 2019 the Company recognized impairment losses on fixed asset of ¥4,472 thousand which consisted of the following:

Location	Use	Classification	Years ended March 31,		
			2020	2019	2020
			(Thousands of yen)		(Thousands of U.S. dollars)
Kunisaki-shi, Oita	Airport shops	Furniture and other	–	¥4,472	–
Obihiro-shi, Hokkaido	Airport shops	Furniture and other	¥21,156	–	\$194
Kushiro-shi, Hokkaido	Airport shops	Furniture and other	19,305	–	177
Hakodate-shi, Hokkaido	Airport shops	Buildings and other	14,319	–	131
Matsuyama-shi, Ehime	Airport shops	Buildings and other	13,446	–	123
Omura-shi, Nagasaki	Airport shops	Buildings and other	8,754	–	80
Chiyoda-ku, Tokyo	Souvenir sweets shops	Furniture and other	3,838	–	35

The Company and its consolidated subsidiaries base 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.

## 12. Impairment of Fixed Assets (continued)

Impairment losses on business assets including airport shops and souvenir sweets shops were recognized due to significant decrease in expected future cash flows on the strategy plan for the years ended March 31, 2020 and 2019.

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, 2020 and 2019.

## 13. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

	March 31,		
	2020	2019	2020
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥ 224,127	¥ 188,615	\$ 2,056
Allowance for doubtful accounts	4,204	3,587	39
Liability for retirement benefits	53,574	27,241	492
Impairment losses on fixed assets	30,846	9,536	283
Accrued enterprise tax	19,156	65,551	176
Elimination of unrecognized gain on intercompany accounts and transactions	86,089	88,690	790
Loss on revaluation of inventories	14,828	374,696	136
Loss on revaluation of investments in securities	1,637	8,807	15
Carryforward tax loss(*)	355,976	182,857	3,266
Deferred gain or loss on hedges	4,691	7,914	43
Asset retirement obligation	38,110	47,535	350
Others	153,606	134,342	1,409
	<u>986,849</u>	<u>1,139,375</u>	<u>9,054</u>
Valuation allowance for carryforward tax loss(*)	(160,820)	(170,913)	(1,475)
Valuation allowance for deductible temporary differences	(24,244)	(25,827)	(222)
Valuation allowance	<u>(185,064)</u>	<u>(196,741)</u>	<u>(1,698)</u>
Total deferred tax assets	801,784	942,634	7,356
Deferred tax liabilities:			
Accumulated retained earnings of consolidated subsidiaries	(201,396)	(264,313)	(1,848)
Asset for retirement benefits	(49,791)	(45,698)	(457)
Cost of asset retirement obligation	(20,363)	(29,863)	(187)
Others	(66,342)	(30,144)	(609)
Total deferred tax liabilities	<u>(337,893)</u>	<u>(370,020)</u>	<u>(3,100)</u>
Net deferred tax assets	<u>¥ 463,890</u>	<u>¥ 572,613</u>	<u>\$ 4,256</u>



### 13. Income Taxes (continued)

(\*)Carryforward tax loss and its deferred tax assets by expiration periods

(March 31 2020)

(Thousands of yen)

	2021	2022	2023	2024	2025	2026 and beyond	Total
Carryforward tax loss (a)	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	(b)195,155

(March 31 2020)

(Thousands of U.S. dollars)

	2021	2022	2023	2024	2025	2026 and beyond	Total
Carryforward tax loss (a)	8	140	268	351	224	2,276	3,266
Valuation allowance	(8)	(140)	(268)	(351)	(224)	(485)	(1,475)
Net deferred tax assets	–	–	–	–	–	1,790	(b)1,790

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

(b) Deferred tax assets of ¥195,155 thousand (\$1,790 thousand) was recognized for carryforward tax loss of ¥355,976 thousand (\$3,266 thousand) (amount multiplied by the statutory tax rate). The deferred tax assets of ¥195,155 thousand (\$1,790 thousand) was recognized for carryforward tax loss of ¥144,074 thousand (\$1,322 thousand) by the consolidated subsidiary JALUX Airport Inc. and ¥51,080 thousand (\$469 thousand) by the consolidated subsidiary JALUX SINGAPORE PTE. LTD. The carryforward tax loss by JALUX Airport Inc. for which the deferred tax asset was recognized arose in relation to loss before income taxes of ¥410,060 thousand (\$3,762 thousand) having been recorded for the year ended March 31, 2020. No valuation allowance is recognized for the carryforward tax loss since the amount was determined to be recoverable based on expected future taxable income. The carryforward tax loss by JALUX SINGAPORE PTE. LTD. for which the deferred tax asset was recognized arose in relation to depreciation based on local corporation tax law having been recorded for the year ended December 31, 2019 and 2018. No valuation allowance is recognized for the carryforward tax loss since the amount was determined to be recoverable based on expected future taxable income.

### 13. Income Taxes (continued)

(March 31 2019)

(Thousands of yen)

	2020	2021	2022	2023	2024	2025 and beyond	Total
Carryforward tax loss (c)	25,064	6,966	14,700	29,172	61,455	45,498	182,857
Valuation allowance	(25,064)	(6,966)	(14,700)	(29,172)	(49,511)	(45,498)	(170,913)
Net deferred tax assets	–	–	–	–	11,943	–	(d)11,943

(c) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

(d) Deferred tax assets of ¥11,943 thousand was recognized for carryforward tax loss of ¥182,857 thousand (amount multiplied by the statutory tax rate). The deferred tax assets of ¥11,943 thousand was recognized for carryforward tax loss of ¥11,943 thousand by the consolidated subsidiary JALUX Trust Inc. The carryforward tax loss for which the deferred tax asset was recognized arose in relation to loss before income taxes of ¥77,273 thousand having been recorded for the year ended March 31, 2015. No valuation allowance is recognized for the carryforward tax loss since the amount was determined to be recoverable based on expected future taxable income.

The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2020 and 2019 were as follows:

	Years ended March 31,	
	2020	2019
Effective statutory tax rate	30.62%	This note has been omitted, as the difference between the effective statutory tax rate and the effective income tax rate after applying tax effect accounting is 5% or less of the effective statutory tax rate.
(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%	

## 14. Other Comprehensive Income

The following table presents reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2020 and 2019:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net unrealized holding gain (loss) on other securities:			
Amount arising during the year	¥ (15,826)	¥ (1,755)	\$ (145)
Reclassification adjustments for gains and losses included in profit attributable to owners of the company	(3,360)	–	(31)
Amount before tax effect	(19,186)	(1,755)	(176)
Tax effect	5,448	961	50
Net unrealized holding gain (loss) on other securities, net of taxes	(13,737)	(793)	(126)
Deferred gain or loss on hedges:			
Amount arising during the year	10,524	71,186	97
Amount before tax effect	10,524	71,186	97
Tax effect	(3,222)	(21,797)	(30)
Deferred gain or loss on hedges, net of taxes	7,301	49,389	67
Translation adjustments:			
Amount arising during the year	(41,547)	(82,173)	(381)
Reclassification adjustments for gains and losses included in profit attributable to owners of the company	(12,224)	(3,959)	(112)
Translation adjustments	(53,771)	(86,133)	(493)
Retirement benefits liability adjustments:			
Amount arising during the year	(100,607)	(60,477)	(923)
Reclassification adjustments for gains and losses included in profit attributable to owners of the company	13,068	29,248	120
Amount before tax effect	(87,538)	(31,229)	(803)
Tax effect	26,804	9,562	246
Retirement benefits liability adjustments, net of taxes	(60,734)	(21,667)	(557)
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	72,996	(55,088)	670
Total other comprehensive income	¥ (47,944)	¥ (114,293)	\$ (440)

## 15. 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, 2020 and 2019 are summarized as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within 1 year	¥ 1,878,958	¥ 1,495,241	\$ 17,238
Over 1 year	4,128,164	3,460,296	37,873
	<u>¥ 6,007,123</u>	<u>¥ 4,955,538</u>	<u>\$ 55,111</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, 2020 and 2019 are summarized as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within 1 year	¥ 1,345,643	¥ 1,063,586	\$ 12,345
Over 1 year	3,046,739	2,607,128	27,952
	<u>¥ 4,392,383</u>	<u>¥ 3,670,714</u>	<u>\$ 40,297</u>

## 16. Amounts Per Share

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

	Year ended March 31,		
	2020	2019	2020
	(Yen)		(U.S. dollars)
Net income per share of common stock:			
Basic	¥ 243.69	¥ 234.34	\$ 2.236

Diluted net income per share is not stated in 2019 and 2020 because there are no potential shares.

The following table sets forth the basis of the computation of net income per share of common stock for the years ended March 31, 2020 and 2019:

	Year ended March 31,		
	2020	2019	2020
	(Thousands of yen)		(Thousands of U.S. dollars)
Net income	¥ 3,081,085	¥ 2,962,900	\$ 28,267
Net income available to stockholders of shares of common stock	¥ 3,081,085	¥ 2,962,900	\$ 28,267

	Year ended March 31,	
	2020	2019
	(Thousands of shares)	
Weighted-average number of shares of common stock outstanding	12,643	12,643

Diluted net income per share is not stated in 2019 and 2020 because there are no potential shares.

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

	March 31,		
	2020	2019	2020
	(Yen)		(U.S. dollars)
Net assets per share	¥ 2,083.12	¥ 1,908.38	\$ 19.111

## 17. Financial Instruments

### *Policy for financial instruments*

The Company and its consolidated subsidiaries (the “Group”) manage temporary cash surpluses mainly through short-term deposits. Further, the Group raises short-term capital through bank borrowings 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 mainly stocks. Those securities are exposed to market risk.

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

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

## **17. Financial Instruments (continued)**

- 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.

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

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

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

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

## 17. Financial Instruments (continued)

### Estimated Fair Value of Financial Instruments

Carrying value of financial instruments and estimated fair value on the consolidated balance sheet as of March 31, 2020 and 2019 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, 2020</b>		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of yen)</i>		
<b>Assets</b>			
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	–
<b>Total assets</b>	<b>¥ 31,277,637</b>	<b>¥ 31,277,637</b>	<b>¥ –</b>
<b>Liabilities</b>			
Trade notes and accounts payable	¥10,668,290	¥10,668,290	¥ –
Short-term borrowings	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
<b>Total liabilities</b>	<b>¥ 29,638,509</b>	<b>¥ 29,642,854</b>	<b>¥ 4,345</b>
Derivatives (*2)	¥ (13,097)	¥ (13,097)	¥ –

	<b>March 31, 2020</b>		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
<b>Assets</b>			
Cash and time deposits	\$ 56,655	\$ 56,655	\$ –
Trade notes and accounts receivable	202,815	202,815	–
Accounts receivable- other	25,074	25,074	–
Investment securities	2,407	2,407	–
<b>Total assets</b>	<b>\$ 286,951</b>	<b>\$ 286,951</b>	<b>\$ –</b>
<b>Liabilities</b>			
Trade notes and accounts payable	\$ 97,874	\$ 97,874	\$ –
Short-term borrowings	67,595	67,595	–
Commercial papers	55,044	55,044	–
Accrued expenses	42,851	42,851	–
Long-term debt (*1)	8,548	8,588	40
<b>Total liabilities</b>	<b>\$ 271,913</b>	<b>\$ 271,953</b>	<b>\$ 40</b>
Derivatives (*2)	\$ (120)	\$ (120)	\$ –



## 17. Financial Instruments (continued)

	<b>March 31, 2019</b>		
	Carrying value	Estimated fair value	Difference
<i>(Thousands of yen)</i>			
<b>Assets</b>			
Cash and time deposits	¥ 6,050,750	¥ 6,050,750	¥ –
Trade notes and accounts receivable	21,328,708	21,328,708	–
Accounts receivable - other	2,994,748	2,994,748	–
Investment securities	279,877	279,877	–
<b>Total assets</b>	<b>¥ 30,654,084</b>	<b>¥ 30,654,084</b>	<b>¥ –</b>
<b>Liabilities</b>			
Trade notes and accounts payable	¥8,687,138	¥8,687,138	¥ –
Short-term borrowings	5,498,360	5,498,360	–
Commercial papers	2,999,997	2,999,997	–
Accrued expenses	5,767,120	5,767,120	–
Long-term debt (*1)	3,184,128	3,175,044	(9,084)
<b>Total liabilities</b>	<b>¥ 26,136,745</b>	<b>¥ 26,127,661</b>	<b>¥ (9,084)</b>
Derivatives (*2)	¥ (51,071)	¥ (51,071)	¥ –

\*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, 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.

## 17. Financial Instruments (continued)

### e. Derivative transactions

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

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

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unlisted stocks	¥ 2,890,007	¥ 2,421,768	\$ 26,514
Long-term guarantee deposit	2,334,474	1,979,203	21,417

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

17. Financial Instruments (continued)

<b>March 31, 2020</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	\$ 56,655	\$ –	\$ –	\$ –
Trade notes and accounts receivable	202,815	–	–	–
Accounts receivable-other	25,074	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	–
Others	–	–	–	–
<b>Total</b>	<b>\$ 284,544</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>
<b>March 31, 2019</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	¥ 6,050,750	¥ –	¥ –	¥ –
Trade notes and accounts receivable	21,328,708	–	–	–
Accounts receivable-other	2,994,748	–	–	–
Investment securities with maturities:				
Bonds	–	–	–	–
Others	–	–	–	–
<b>Total</b>	<b>¥ 30,374,207</b>	<b>¥ –</b>	<b>¥ –</b>	<b>¥ –</b>

## 18. Securities

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2020 and 2019 are summarized as follows:

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

	<b>March 31, 2020</b>		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Unrealized gain:			
Stocks	\$ 2,373	\$ 2,306	\$ 68
Bonds:			
Others	—	—	—
Others	—	—	—
	<u>\$ 2,373</u>	<u>\$ 2,306</u>	<u>\$ 68</u>
Unrealized loss:			
Stocks	\$ 34	\$ 41	\$ (7)
Bonds:			
Others	—	—	—
Others	—	—	—
	<u>34</u>	<u>41</u>	<u>(7)</u>
Total	<u>\$ 2,407</u>	<u>\$ 2,346</u>	<u>\$ 61</u>

**18. Securities (continued)**

	<b>March 31, 2019</b>		
	Carrying value	Acquisition costs	Unrealized gain (loss)
	<i>(Thousands of yen)</i>		
Unrealized gain:			
Stocks	¥ 279,877	¥ 255,413	¥ 24,463
Bonds:			
Others	-	-	-
Others	-	-	-
Total	<u>¥ 279,877</u>	<u>¥ 255,413</u>	<u>¥ 24,463</u>

Non-marketable securities classified as other securities at March 31, 2020 and 2019 amounted to ¥403,032 thousand (\$3,698thousand) and ¥202,117 thousand, respectively.

Proceeds from sales of securities classified as other securities and the aggregate gain and loss for the year ended March 31, 2020 and 2019 were as follows.

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Sales proceeds:			
Stocks	¥ 17,510	¥ -	\$ 161
Other	-	-	-
	<u>¥ 17,510</u>	<u>¥ -</u>	<u>\$ 161</u>
Aggregate gain:			
Stocks	¥ 3,360	¥ -	\$ 31
Other	-	-	-
	<u>¥ 3,360</u>	<u>¥ -</u>	<u>\$ 31</u>
Aggregate loss:			
Stocks	¥ -	¥ -	\$ -
Other	-	-	-
	<u>¥ -</u>	<u>¥ -</u>	<u>\$ -</u>

## 19. Derivative Transactions

The Company utilizes forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies.

The notional amounts and the estimated fair value of the forward foreign exchange contracts outstanding at March 31, 2020 and 2019 for which hedged accounting has not been applied, are summarized as follows:

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

	<b>March 31, 2020</b>	
	Notional amount	Fair value
Maturing within one year	<i>(Thousands of U.S. dollars)</i>	
Sell:		
THB	\$ 473	\$ 20
Total	\$ 473	\$ 20

	<b>March 31, 2019</b>	
	Notional amount	Fair value
Maturing within one year	<i>(Thousands of yen)</i>	
Sell:		
USD	¥ 1,235,889	¥ (24,166)
THB	40,345	(947)
Total	¥ 1,276,234	¥ (25,114)

The notional amounts and the estimated fair value of the forward foreign exchange contracts outstanding at March 31, 2020 and 2019, for which hedged accounting has been applied, are summarized as follows:

	<b>March 31, 2020</b>	
	Notional amount	Fair value
Maturing within one year	<i>(Thousands of yen)</i>	
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)

## 19. Derivative Transactions (continued)

Maturing within one year	<b>March 31, 2020</b>	
	Notional amount	Fair value
	<i>(Thousands of U.S. dollars)</i>	
Sell:		
USD	\$ 2,478	\$ (41)
EUR	384	(6)
Buy:		
USD	41,320	4
EUR	9,893	(121)
THB	1,663	78
GBP	1,231	(54)
Total	\$ 56,969	\$ (141)

Maturing within one year	<b>March 31, 2019</b>	
	Notional amount	Fair value
	<i>(Thousands of yen)</i>	
Sell:		
USD	¥ 552,015	¥ (3,389)
EUR	72,356	2,226
Others	1,774	(5)
Buy:		
USD	4,502,695	(8,016)
EUR	823,667	(18,534)
THB	26,525	(857)
GBP	369,389	654
Others	193,641	1,965
Total	¥ 6,542,066	¥ (25,957)

## 19. Derivative Transactions (continued)

Foreign receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met. The notional amounts of the forward foreign exchange contracts accounted for as part of accounts receivable or payable outstanding at March 31, 2020 and 2019 are summarized as follows:

	March 31,		
	2020	2019	2020
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Sell:			
USD	¥ 101,824	¥ 87,165	\$ 934
Buy:			
USD	3,403,238	2,040,324	31,222
EUR	171,360	39,032	1,572
THB	42,276	44,828	388
Others	3,357	6,755	31
Total	<u>¥ 3,722,058</u>	<u>¥ 2,218,104</u>	<u>\$ 34,147</u>

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

## 20. Investment and Rental Properties

The Company and a certain consolidated subsidiary own buildings and lands for lease mainly in 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, 2020 are as follows:

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

  

March 31, 2020	Carrying Value		Fair Value
	Net change	March 31, 2019	March 31, 2020
<i>(Thousands of U.S. dollars)</i>			
\$ 14,566	\$ 5,728	\$ 8,838	\$ 14,743

The components of net change in carrying value include decreases mainly due to depreciation of Buildings and structures in the amount of ¥43,671 thousand (\$401 thousand) and increases mainly due to acquisitions of real estate in the amount of ¥608,570 thousand (\$5,583 thousand).



## 20. Investment and Rental Properties (continued)

The carrying value in the consolidated balance sheet and corresponding fair value of those properties for the year ended March 31, 2019 were as follows:

March 31, 2019	Carrying Value		Fair Value
	Net change	March 31, 2018	March 31, 2019
<i>(Thousands of yen)</i>			
¥ 963,329	¥ (42,846)	¥ 1,006,175	¥ 982,035

The components of net change in carrying value include decreases mainly due to depreciation of Buildings and structures in the amount of ¥34,666 thousand and increases mainly due to acquisitions of real estate in the amount of ¥3,039 thousand.

The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate. However, if no material change has occurred in certain values or indices, the fair values are determined by adjusting such appraised values and indices.

## 21. Cash Flow Information

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

	March 31,		
	2020	2019	2020
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥ 6,175,441	¥ 6,050,750	\$ 56,655
Time deposits with maturities of more than three months	(3,761)	(7,448)	(35)
	<u>¥ 6,171,679</u>	<u>¥ 6,043,301</u>	<u>\$ 56,621</u>

## 21. Cash Flow Information (continued)

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 change in scope of consolidation for the year ended March 31, 2020, related selling price and net payments due to the sales:

	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Current assets	¥552,444	\$ 5,068
Fixed assets	219,276	2,012
Current liabilities	(156,457)	(1,435)
Long-term liabilities	(46,032)	(422)
Non-controlling interests	(268,768)	(2,466)
Translation adjustments	(18,257)	(167)
Investment account after sales of subsidiary securities	(230,956)	(2,119)
Loss on sales of subsidiary securities	(32,191)	(295)
Selling price	19,057	175
Cash and cash equivalents	(248,471)	(2,280)
Net payments due to the sales	<u>¥(229,414)</u>	<u>\$(2,105)</u>

The following is the summary of assets and liabilities lost through the sales of shares of Advance Agriculture Co., Ltd. and Thierry Marx Japan Inc. that result in change in scope of consolidation for the year ended March 31, 2019, related selling price and net payments due to the sales:

	<i>(Thousands of yen)</i>
Current assets	¥78,885
Fixed assets	44,143
Current liabilities	(43,267)
Long-term liabilities	(66,046)
Non-controlling interests	38,788
Loss on sales of subsidiary securities	(37,518)
Selling price	14,985
Cash and cash equivalents	(30,116)
Net payments due to the sales	<u>¥(15,131)</u>

## **22. Segment Information**

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

Aviation & airport 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, Aviation & airport-related business segment have been renamed as Aviation & airport business segment.

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 ordinary income or loss after allocation of corporate expenses. Intersegment sales are recorded at the same price used in transactions with third parties.

The Company and its consolidated subsidiaries have reviewed both operating income and ordinary income as important management indicators. However, as Equity in earnings of affiliates has increased, we have determined that the need to use ordinary income as a management indicators has increased. Therefore, segment profit has been changed from operating income before allocation of corporate expenses to ordinary income after allocation of corporate expenses from the current consolidated fiscal year. 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.

Ordinary income is calculated by nonoperating items from operating income.

## 22. Segment Information (continued)

The reportable segments information of the Company and its consolidated subsidiaries for the years ended March 31, 2020 and 2019 were summarized as follows:

	Year ended March 31, 2020						
	Reportable segments					Adjustments and eliminations	Consolidated
	Aviation & airport 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	¥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 by 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

	Year ended March 31, 2020						
	Reportable segments					Adjustments and eliminations	Consolidated
	Aviation & airport business	Life service business	Retail business	Food & beverage business	Total		
	<i>(Thousands of U.S. dollars)</i>						
Sales, profits and assets by reportable segments:							
Sales to outside parties	\$447,873	\$ 119,017	\$528,622	\$231,901	\$ 1,327,413	\$ –	\$1,327,413
Inter-segment sales and transfers	14	1,123	54	11,897	13,089	(13,089)	–
Total	447,887	120,140	528,676	243,799	1,340,502	(13,089)	1,327,413
Segment profits	\$ 13,184	\$ 6,967	\$ 17,440	\$ 3,191	\$ 40,782	\$ 2,686	\$ 43,468
Segment assets	\$262,989	\$ 59,080	\$123,720	\$ 89,657	\$535,446	\$ 22,763	\$ 558,209
Other items:							
Depreciation and amortization	\$ 2,132	\$ 1,063	\$ 4,600	\$ 750	\$ 8,546	\$ 691	\$ 9,237
Interest income	\$ 1	\$ 14	\$ 20	\$ 1	\$ 35	\$ (6)	\$ 28
Interest expense	\$ 978	\$ 417	\$ 102	\$ 374	\$ 1,872	\$ (971)	\$ 901
Equity in earnings of affiliates	\$ 6,231	\$ 235	\$ 626	\$ –	\$ 7,092	\$ (787)	\$ 6,305
Investment in affiliates accounted for by the equity method	\$ 13,294	\$ 3,577	\$ 2,338	\$ –	\$ 19,210	\$ 3,037	\$ 22,247
Capital expenditures	\$ 3,547	\$ 5,844	\$ 9,727	\$ 352	\$ 19,469	\$ 943	\$ 20,412
Operating income previously disclosed as Segment profits	\$ 13,302	\$ 11,771	\$ 21,176	\$ 7,767	\$ 54,015	\$ (17,595)	\$ 36,421

## 22. Segment Information (continued)

Adjustments and eliminations for segment profits and losses include ¥ 3,755 thousand (\$34 thousand) of elimination of inter-segment profit and ¥288,999 thousand (\$2,651 thousand) of difference between the allocated amount of corporate expenses and actual amount, and corporate profit or loss which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥85,950 thousand (\$789 thousand) of elimination of accounts inter-segment receivable and ¥2,567,074 thousand (\$23,551 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 item amount is ¥768,172 thousand (\$7,047 thousand) result in adjusting ordinary income to operating income reported in the consolidated statements of income.

	Year ended March 31, 2019						
	Reportable segments				Total	Adjustments and eliminations	Consolidated
Aviation & airport business	Life service business	Retail business	Food & beverage business				
<i>(Thousands of yen)</i>							
Sales, profits and assets by reportable segments:							
Sales to outside parties	¥84,443,519	¥13,517,035	¥63,230,925	¥24,534,615	¥185,726,096	¥ –	¥185,726,096
Inter-segment sales and transfers	1,409	137,911	40,837	1,135,742	1,315,900	(1,315,900)	–
Total	84,444,929	13,654,946	63,271,763	25,670,357	187,041,996	(1,315,900)	185,726,096
Segment profits	¥ 418,912	¥ 655,158	¥ 3,437,457	¥ 420,505	¥ 4,932,033	¥ 162,796	¥ 5,094,829
Segment assets	¥21,722,503	¥ 5,860,889	¥15,796,706	¥11,113,912	¥ 54,494,012	¥ 2,392,988	¥ 56,887,000
Other items:							
Depreciation and amortization	¥ 251,976	¥ 110,211	¥ 361,494	¥ 72,624	¥ 796,306	¥ 71,688	¥ 867,994
Interest income	¥ 65	¥ 1,330	¥ 6,577	¥ 47	¥ 8,021	¥ 184	¥ 8,205
Interest expense	¥ 149,854	¥ 48,052	¥ 8,959	¥ 33,885	¥ 240,752	¥ (85,398)	¥ 155,353
Equity in earnings of affiliates	¥ 494,906	¥ 39,878	¥ 30,473	¥ –	¥ 565,258	¥ 3,433	¥ 568,691
Investment in affiliates accounted for by the equity method	¥ 857,281	¥ 372,844	¥ 506,221	¥ –	¥ 1,736,347	¥ 422,224	¥ 2,158,571
Capital expenditures	¥ 29,544	¥ 18,451	¥ 529,995	¥ 137,075	¥ 715,066	¥ 69,696	¥ 784,762
Operating income previously disclosed as Segment profits	¥ 558,420	¥ 1,133,470	¥ 3,912,643	¥ 911,186	¥ 6,515,720	¥(1,887,625)	¥ 4,628,094

## 22. Segment Information (continued)

Adjustments and eliminations for segment profits and losses include minus ¥ 809 thousand of elimination of inter-segment profit and ¥163,605 thousand of difference between the allocated amount of corporate expenses and actual amount, and corporate profit or loss which are not allocable to the reportable segments.

Adjustments and eliminations for segment assets include minus ¥175,647 thousand of elimination of accounts inter-segment receivable and ¥2,568,636 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 item amount is 466,734 thousand result in adjusting ordinary income to operating income reported in the consolidated statements of income.

For the years ended March 31, 2020 and 2019, net sales to outside parties in Japan represent more than 90% of consolidated operating revenues. As a result, net sales to outside parties by countries or areas grouped according to geographical classification are not required to be disclosed.

Property, plant and equipment by geographical countries or areas at March 31, 2020 and 2019 were summarized as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Japan	¥ 2,430,983	¥ 1,552,485	\$ 22,303
Thailand	1,312,092	1,446,421	12,038
Singapore	1,080,466	1,269,670	9,913
Other foreign countries	443,293	239,633	4,067
	<u>¥ 5,266,836</u>	<u>¥ 4,508,210</u>	<u>\$ 48,320</u>

Net sales to major customers for the fiscal year ended March 31, 2020 and 2019 were as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
IHI Corporation	¥	¥ 43,245,346	\$
(Aviation & airport business)	—		—

Mitsubishi Heavy Industries Aero Engines, Ltd.	19,429,560	20,102,843	178,253
(Aviation & airport business)			
Kawasaki Heavy Industries, Ltd.	16,508,279	¥	–
(Aviation & airport business)			151,452

## 22. Segment Information (continued)

Impairment losses on fixed assets by reportable segments for the years ended March 31, 2020 and 2019 were summarized as follows:

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Aviation & airport business	¥ –	¥ –	\$ –
Life service business	–	–	–
Retail business	80,822	4,472	741
Food & beverage business	–	–	–
Reportable segments total	80,822	4,472	741
Adjustments and eliminations	–	–	–
	<u>¥ 80,822</u>	<u>¥ 4,472</u>	<u>\$ 741</u>

## 23. Related Party Transactions

The significant transactions between the Company and Japan Airline Co., Ltd., for the years ended March 31, 2020 and 2019 were summarized as follows:

	<b>Year ended March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Sales of flight equipment	¥ 5,037,635	¥ 5,608,588	\$ 46,217
Purchases of merchandise	491,224	512,011	4,507

  

	<b>March 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Accounts receivable	¥ 544,048	¥ 650,829	\$ 4,991
Accounts payable	90,167	95,125	827



### 23. Related Party Transactions (continued)

The significant transactions between certain consolidated subsidiaries of the Company and Japan Airlines Co., Ltd. for the years ended March 31, 2020 and 2019 were summarized as follows:

	Year ended March 31,		
	2020	2019	2020
	(Thousands of yen)		(Thousands of U.S. dollars)
Sales of flight equipment	¥ 360,739	¥ 390,008	\$ 3,310

  

	March 31,		
	2020	2019	2020
	(Thousands of yen)		(Thousands of U.S. dollars)
Accounts receivable	¥ 8,353	¥ 34,798	\$ 77

A significant affiliates is MC-Jalux Airport Services Co.,Ltd.,and its condensed financial statements are as follows:

	Year ended March 31,		
	2020	2019	2020
	(Thousands of yen)		(Thousands of U.S. dollars)
Current assets	¥ 2,545,064	¥ 1,513,675	\$ 23,349
Fixed assets	1,334,084	1,240,822	12,239
Current liabilities	363,091	254,570	3,331
Long-term liabilities	508,359	792,672	4,664
Net assets	3,007,697	1,707,254	27,594
Sales	2,449,133	1,648,955	22,469
Net Profit before income taxes	1,211,266	782,099	11,113
Net Profit	1,211,266	782,099	11,113

## 24. Contingent liabilities

As guarantors of indebtedness to unconsolidated subsidiaries and affiliates, for the years ended March 31, 2020 and 2019 were summarized as follows:

	Year ended March 31,		
	2020	2019	2020
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
MC-Jalux Airport Services Co.,Ltd.	¥ 111,530	¥ 227,550	\$ 1,023