Consolidated Financial Statements of JALUX Inc. and Consolidated Subsidiaries

JALUX Inc.

Year ended March 31, 2022
with Independent Auditor's Report

KPMG AZSA LLC
December 2022

Independent auditor's report

To the Board of Directors of JALUX Inc.:

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of JALUX Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, 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.

Emphasis of Matter

As described in Note 14, "Significant Subsequent Events," the Company made a resolution on the reverse stock split at the Extraordinary Meeting of Stockholders held on May 13, 2022. Due to this resolution, the shares issued by the Company fell under the delisting criteria of the Tokyo Stock Exchange and were scheduled to be delisted as of June 2, 2022.

This matter does not affect our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 6 to the consolidated financial statements.

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

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

Notes to the Reader of Independent Auditor's Report

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Article 444-4 of the Companies Act.

Daisuke Yamada

Daisuke Yamada
Designated Engagement Partner
Certified Public Accountant

Nobuo Shibata

Nobuo Shibata
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
December 28, 2022

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet

	March 31, 2022 (Thousands of yen)	March 31, 2022 (Thousands of U.S. dollars) (Note 6)
Assets		
Current assets:		
Cash and time deposits	¥ 6,730,313	$ 55,167
Trade notes	1,333,431	10,930
Accounts receivable	10,089,787	82,703
Inventories	7,026,093	57,591
Accounts receivable-other	3,337,170	27,354
Advances paid	10,105,578	82,833
Others	2,055,448	16,848
Allowance for doubtful accounts	(91,167)	(747)
Total current assets	40,586,657	332,678
Property and equipment:		
Buildings and structures	2,374,576	19,464
Machinery and vehicles	1,104,251	9,051
Land	844,885	6,925
Construction in process	89,987	738
Others	310,235	2,543
Property and equipment, net	4,723,936	38,721
Intangible assets:		
Software	477,482	3,914
Others	44,880	368
Total intangible assets	522,362	4,282
Investments and other assets:		
Investment securities	2,722,836	22,318
Long-term loans receivable	9,892	81
Long-term guarantee deposit	2,188,648	17,940

Deferred tax assets	1,178,356	9,659
Asset for retirement benefits	296,484	2,430
Others	122,265	1,002
Allowance for doubtful accounts	(56,054)	(459)
Total investments and other assets	6,462,431	52,971
Total fixed assets	11,708,731	95,973
Total assets	¥ 52,295,389	$ 428,651

	March 31,	
	2022	2022
	(Thousands of yen)	*(Thousands of U.S. dollars) (Note 6)*
Liabilities and net assets		
Current liabilities:		
Trade notes and accounts payable	¥ 6,487,877	$ 53,179
Short-term borrowings and current portion of long-term debt	4,274,830	35,040
Commercial papers	2,598,911	21,303
Accrued income taxes	131,590	1,079
Accrued expenses	3,820,731	31,317
Others	3,105,548	25,455
Total current liabilities	20,419,488	167,373
Long-term liabilities:		
Long-term debt	6,955,643	57,013
Liability for retirement benefits	25,387	208
Deferred tax liabilities	83,929	688
Others	504,596	4,136
Total long-term liabilities	7,569,557	62,046
Total liabilities	27,989,046	229,418
Net assets:		
Shareholders' equity:		
Common stock	2,558,550	20,972
Capital surplus	696,091	5,706
Retained earnings	20,327,061	166,615
Common stock in treasury	(131,751)	(1,080)
Total shareholders' equity	23,449,951	192,213
Accumulated other comprehensive income:		
Net unrealized gain on other securities, net of taxes	53,650	440
Deferred gain or loss on hedges, net of taxes	138,099	1,132
Translation adjustments	(414,572)	(3,398)
Retirement benefits liability adjustments	66,152	542
Total accumulated other comprehensive income	(156,670)	(1,284)
Non-controlling interests	1,013,061	8,304
Total net assets	24,306,342	199,232
Total liabilities and net assets	¥ 52,295,389	$ 428,651

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statement of Income

	Year ended March 31,	
	2022	**2022**
	(Thousands of yen)	*(Thousands of U.S. dollars) (Note 6)*
Operating revenues	¥ 45,644,942	$374,139
Operating expenses:		
Cost of sales	30,317,419	248,503
Gross profit	15,327,523	125,635
Selling, general and administrative expenses	16,026,476	131,365
Operating loss	(698,953)	(5,729)
Non-operating income :		
Interest income	1,787	15
Dividend income	16,869	138
Foreign exchange gain	37,528	308
Subsidy income	419,934	3,442
Compensation income	61,349	503
Others	53,558	439
Total non-operating income	591,026	4,844
Non-operating expenses :		
Interest expense	(137,451)	(1,127)
Equity in earnings of affiliates	(39,361)	(333)
Commission fee	(17,399)	(143)
Others	(11,909)	(98)
Total non-operating expenses	(206,122)	(1,690)
Extraordinary profit :		
Gain on sales of fixed assets	504	4
Gain on sale of investment securities	11,675	96
Gain on sales of shares of subsidiaries and affiliates	11,999	98

Others	51	0
Total extraordinary profit	24,232	199
Extraordinary loss:		
Loss on disposal of fixed assets	(12,506)	(103)
Impairment losses on fixed assets	(8,386)	(69)
Loss due to temporary store closures	(174,485)	(1,430)
Loss on valuation of investment securities	(1,290)	(11)
Others	(20,345)	(167)
Total extraordinary loss	(217,012)	(1,779)
Net loss before income taxes	(506,830)	(4,154)
Income taxes:		
Current	74,302	609
Deferred	(7,001)	(57)
	67,301	552
Net loss	(574,131)	(4,706)
Net loss attributable to:		
Non-controlling interests	(203,496)	(1,668)
Owners of the Company	¥ (370,635)	$ (3,038)

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

(Thousands of yen)

	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total shareholders' equity
Balance at March 31, 2021	¥ 2,558,550	¥ 688,723	¥ 20,718,198	¥ (135,376)	¥ 23,830,095
Cumulative effect of change in accounting policy			(20,501)		(20,501)
Restated balance at March 31, 2021 (reflecting change in accounting policies)	¥ 2,558,550	¥ 688,723	¥ 20,697,696	¥ (135,376)	¥ 23,809,593
Dividends paid					
Net loss for the year ended March 31, 2022			(370,635)		(370,635)
Purchase of common treasury stock				(1,644)	(1,644)
Disposal of treasury stock		7,368		4,969	12,337
Change in scope of equity method				300	300
Others					
Balance at March 31, 2022	¥ 2,558,550	¥ 696,091	¥ 20,327,061	¥ (131,751)	¥ 23,449,951

(Thousands of yen)

	Net unrealized holding gain (loss) on other securities, net of taxes	Deferred gain or loss on hedges, net of taxes	Translation adjustments	Retirement benefits liability adjustments	Accumulated other comprehensive income:	Non-controlling interests	Total net assets
Balance at March 31, 2021	¥ 15,629	¥ 95,776	¥ (539,203)	¥ 63,167	¥ (364,629)	¥ 1,220,043	¥ 24,685,509
Cumulative effect of change in accounting policy							(20,501)
Restated balance at March 31, 2021 (reflecting change in accounting policies)	¥ 15,629	¥ 95,776	¥ (539,203)	¥ 63,167	¥ (364,629)	¥ 1,220,043	¥ 24,665,007
Dividends paid							—
Net loss for the year ended March 31, 2022							(370,635)
Purchase of common treasury stock							(1,644)
Disposal of treasury stock							12,337
Change in scope of equity method	922				922		1,222
Others	37,097	42,323	124,630	2,984	207,036	(206,982)	54
Balance at March 31, 2022	¥ 53,650	¥ 138,099	¥ (414,572)	¥ 66,152	¥ (156,670)	¥ 1,013,061	¥ 24,306,342

	(Thousands of U.S. dollars) (Note 6)				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total shareholders' equity
Balance at March 31, 2021	$ 20,972	$ 5,645	$ 169,821	$ (1,110)	¥195,329
Cumulative effect of change in accounting policy			(168)		(168)
Restated balance at March 31, 2021 (reflecting change in accounting policies)	$ 20,972	$ 5,645	$ 169,653	$ (1,110)	¥ 195,161
Dividends paid					
Net loss for the year ended March 31, 2022			(3,038)		(3,038)
Purchase of common treasury stock				(13)	(13)
Disposal of treasury stock		60		41	101
Change in scope of equity method				2	2
Others					
Balance at March 31, 2022	$ 20,972	$ 5,706	$ 166,615	$ (1,080)	¥ 192,213

	(Thousands of U.S. dollars) (Note 6)						
	Net unrealized holding gain (loss) on other securities, net of taxes	Deferred gain or loss on hedges, net of taxes	Translation adjustments	Retirement benefits liability adjustments	Accumulated other comprehensive income:	Non-controlling interests	Total net assets
Balance at March 31, 2021	$ 128	$ 785	$ (4,420)	$ 518	¥ (2,989)	$ 10,000	$ 202,340
Cumulative effect of change in accounting policy							(168)
Restated balance at March 31, 2021 (reflecting change in accounting policies)	$ 128	$ 785	$ (4,420)	$ 518	¥ (2,989)	$ 10,000	$ 202,172
Dividends paid							—
Net loss for the year ended March 31, 2022							(3,038)
Purchase of common treasury stock							(13)
Disposal of treasury stock							101
Change in scope of equity method	8				8		10
Others	304	347	1,022	24	1,697	(1,697)	0
Balance at March 31, 2022	¥ 53,650	¥ 138,099	¥ (414,572)	¥ 66,152	¥ (1,284)	$ 8,304	$ 199,232

JALUX Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2022

1. Fundamental and Important Matters for the preparation of Consolidated Financial Statements

(1) Matters related to Scope of Consolidation

① Consolidated Subsidiaries

a. Number of Consolidated Subsidiaries 20 companies

b. Name of Consolidated Subsidiaries
JALUX AMERICAS, Inc.
JALUX ASIA Ltd.
JAL-DFS Co., Ltd.
JALUX Airport Inc.
JALUX SHANGHAI Co., Ltd.
JALUX ASIA SERVICE Ltd.
JALUX ASIA RECRUITMENT Ltd.
JALUX Insurance and Service Inc.
JALUX Trust Inc.
Japan Airport Delica Inc.
JALUX Fresh Foods Inc.
JRE DEVELOPMENT Co., Ltd.
AERO ASSET Co., Ltd.
B SKY Co., Ltd.
EEZ CONTINENTAL Co., Ltd.
JALUX STYLE Inc.
JALUX SINGAPORE PTE. LTD.
J VALUE CO., LTD.
JALUX AMZ DUTY FREE CO., LTD.
JALUX CANADA, INC.

② Unconsolidated Subsidiaries

a. Name of Unconsolidated Subsidiaries
SKYLUX73NJ
JALUX V LOTUS Co., Ltd.
Other 41 companies

b. Reason for Exclusion from Scope of Consolidation

Non-consolidated subsidiaries are all small in size, and their total assets, sales, net income/loss and retained earnings (corresponding to the Company's equity interest), etc., of the unconsolidated subsidiaries are not material to the consolidated financial statements.

1. Fundamental and Important Matters for the preparation of Consolidated Financial Statements (Continued)

(2) Matters related to the Application of Equity Method

① Non-Consolidated Subsidiaries and Affiliates applied for the Equity Method

a. Number of non-consolidated subsidiaries or affiliates applied for the equity method

5 companies

b. Name of non-consolidated subsidiaries or affiliates applied for the equity method

San-ei Maintenance CO., LTD.
LAO JAPAN AIRPORT TERMINAL SERVICES Co., Ltd.
MC-Jalux Airport Services Co., Ltd.
JALUX TASECO DUTY FREE Co., LTD.
J.SWEETS STORE PARTNERSHIP

② Non-Consolidated Subsidiaries and Affiliates not applied for the Equity Method

a. Name of principal companies

Official Filing Company
SKYLUX73NJ, Inc
JALUX V LOTUS Co., Ltd.
Other 41 companies

b. Reason for not applying the Equity Method

Net income/loss and retained earnings (corresponding to the Company's equity interest) of each company are not material to the consolidated financial statements and have a minimal effect on the consolidated financial statements.

③ Special Notes on Procedures for Application of the Equity Method

For companies applied for the equity method whose fiscal years differ from the consolidated fiscal year, the financial statements for the fiscal year of each company are used.

(3) Matters related to Change in Scope of Consolidation and Application of Equity Method

① Change in scope of Application of Equity Method

Tokyo Koku Cleaning Inc. was excluded from the scope of application of the equity method due to the sale of all shares.

(4) Matters related to Fiscal Year of Consolidated Subsidiaries

The fiscal year end of JALUX AMERICAS, Inc., JALUX ASIA Ltd., JALUX SHANGHAI Co., Ltd., JALUX ASIA SERVICE Ltd., JALUX ASIA RECRUITMENT Ltd., JRE DEVELOPMENT Co., Ltd., AERO ASSET Co., Ltd., B SKY Co., Ltd., EEZ CONTINENTAL Co., Ltd. , JALUX SINGAPORE PTE. LTD., J VALUE CO., LTD., JALUX AMZ DUTY FREE CO., LTD. and JALUX CANADA,INC. is December 31. In preparing the consolidated financial statements, the financial statements of these companies as of December 31 are used, and adjustments necessary for consolidation are made for significant transactions that occurred between December 31 and the consolidated balance sheet date.

1. Fundamental and Important Matters for the preparation of Consolidated Financial Statements (Continued)

(5) Matters related to Accounting Policies

① Evaluation Criteria and Methods for Significant Assets

a. Other securities

・ Financial instruments that have market prices.

Market value method (valuation gains and losses are accounted for as a component of net assets, with cost of sales determined mainly by the weighted average method).

・ Financial instruments that do not have market prices.

Mainly stated at cost determined by the weighted average method.

b. Derivatives — Market value method

c. Inventories

・ Goods

The Company's inventories are stated at cost determined by the moving-average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins) and consolidated subsidiaries are mainly stated at cost determined by the gross average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

・ Real estate for sale

Stated at cost determined by the specific identification method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). Depreciation of leased assets is computed in the same manner as for tangible fixed assets.

1. Fundamental and Important Matters for the preparation of Consolidated Financial Statements (Continued)

② Depreciation and Amortization Methods for Significant Depreciable Assets

a. Tangible fixed assets (excluding lease assets)

The Company and its domestic consolidated subsidiaries mainly use the straight-line method (for buildings and structures) and the declining-balance method (for other tangible fixed assets). Overseas consolidated subsidiaries mainly use the straight-line method.

The main useful lives are as follows:

Buildings and structures
8~47 years

Machinery, equipment and vehicles
4~10 years

b. Intangible fixed assets (excluding lease assets)

The straight-line method

Software (for internal use) is amortized by the straight-line method over the estimated useful life (5 years).

c. Lease Assets

The straight-line method is used and the lease period is deemed as the useful life of the asset and the residual value is set as zero.

③ Basis for Significant Allowance

a. Allowance for doubtful accounts

In order to allowance for a bad debt, the allowance for doubtful accounts on general receivables is provided based on the historical rate of losses on receivables. The allowance for doubtful accounts on specific receivables is provided based on the estimate of the unrecoverable amounts.

b. Allowance for bonuses to directors and corporate auditors

To provide for the payment of bonuses to directors and executive officers, the Company accrues an estimated amount of bonuses to be paid in the current consolidated fiscal year.

1. Fundamental and Important Matters for the preparation of Consolidated Financial Statements (Continued)

④ Method of Accounting for Retirement Benefits

a. Method of attributing estimated retirement benefits to periods of service

In calculating the retirement benefit obligation, the estimated amount of retirement benefits is attributed to the period up to the end of the current consolidated fiscal year based on the benefit calculation method.

b. Method of amortizing actuarial gains and losses

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

c. Adoption of the simplified method for smaller companies

Certain consolidated subsidiaries calculate liabilities for retirement benefits and retirement benefit expenses using a simplified method in which the amount payable at the end of the fiscal year for retirement benefits is used as the retirement benefit obligation.

1. Fundamental and Important Matters for the preparation of Consolidated Financial Statements (Continued)

⑤ Significant Hedge Accounting Methods

a. Hedge accounting method

Deferred hedge accounting is mainly applied. receivables and payables denominated in foreign currencies to which forward foreign exchange contracts are attached are applied for the allocation, if the receivables and payables meet the requirements for the allocation method. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are accounted for by the special treatment.

b. Hedging instruments and hedged items and hedging policy

For receivables and payables denominated in foreign currencies, the Company enters into forward exchange contracts to avoid the effects of future fluctuations in exchange rates on the amounts received and paid. The Company also enters into interest rate swaps to hedge the impact of future interest rate fluctuations on interest payments on borrowings.

c. Methods of evaluating the effectiveness of hedging

Forward exchange contract transactions are entered into by the Finance Department, the supervising department, after approval in accordance with the basic policy and established authority. The status of "pre-testing" and "post-testing" of all derivative transactions is reported to the director in charge and each relevant department in a timely manner.

⑥ Other Important Matters for the Preparation of Consolidated Financial Statements

a. Basis for recording significant revenues and expenses

When control of the promised goods or services is transferred to the customer, the Company recognizes revenue in the amount expected to be received in exchange for those goods or services. In addition, when the Group is involved in the sale of goods as an agent, revenue is recognized on a net basis. The main performance obligations in the main business lines and the normal time for recognizing revenue are described in " Note 12. Revenue Recognition".

2. Notes on Changes in Accounting Policies

(Application of Accounting Standards for Revenue Recognition)

For Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) effected from the beginning of the current consolidated fiscal year, revenue is recognized at the amount expected to be received in exchange for promised goods or services when control of the promised goods or services is transferred to the customer. The main changes resulting from this are as follows.

(1) Revenue recognition for agency transactions

For some transactions, the Company previously recognized the gross amount of consideration received from customers as revenue, but the Company did not control the goods or services transferred to customers. Since the Company only provides services for arranging these, the Company recognizes revenue as the net amount deduct the amount paid to suppliers from the amount received from customers for transactions that the Company determine to be agency transactions.

2. Notes on Changes in Accounting Policies (continued)

(2) Revenue recognition for transactions that require a period of time for acceptance and inspection by the customer

Previously, revenue was mainly recognized at the time of product shipment. For transactions that require a period of time for acceptance and inspection by the customer, the Company determines that the performance obligation has been satisfied when acceptance and inspection by the customer is complete and recognize revenue.

Regarding the application of "Accounting Standard for Revenue Recognition", etc., in reference to transitional measures stated in the provision to Paragraph 84 of the Accounting Standard for Revenue Recognition, retained earnings at the beginning of consolidated fiscal year adjust by cumulative impact when the new accounting policy apply before the beginning of the consolidated fiscal year. However, the new accounting policy has not been applied retrospectively to contracts for which almost all amounts of revenue have been recognized in accordance with the previous treatment prior to the beginning of the consolidated fiscal year by applying the method stated in Paragraph 86 of the Revenue Recognition Accounting Standard.

In addition, the Company has applied the method stated in Paragraph 86 (1) of the Accounting Standard for Revenue Recognition to account for contract modifications made prior to the beginning of the consolidated fiscal year based on the contract terms after reflecting all contract modifications, and the cumulative effect of such modifications has been added to or subtracted from retained earnings at the beginning of the consolidated fiscal year.

As a result, net sales decreased by ¥50,700,646 thousand ($415,579 thousand), cost of sales decreased by ¥50,564,136 thousand ($414,460 thousand), selling, general and administrative expenses decreased by ¥90,460 thousand ($741 thousand), and operating loss, extraordinary loss, and loss before income taxes and minority interests respectively increased by ¥46,049 thousand ($377 thousand)for the current consolidated fiscal year. In addition, the balance of retained earnings at the beginning of the current consolidated fiscal year decreased by ¥20,501 thousand ($168 thousand). Due to the application of the revenue recognition standard, "Inventories" related to agent transactions, which were included in "Current assets" in the consolidated balance sheet in the previous consolidated fiscal year, are included in "Advances paid" in the current consolidated fiscal year. The amount included in "Advances paid" as of the end of the current consolidated fiscal year is ¥9,905,596 thousand ($81,193 thousand). The impact on per share information is immaterial.

(Application of Accounting Standard for Calculation of Fair Value)

The Company applies the "Accounting Standards for Calculation of Fair Value" (Corporate Accounting Standard No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standards for Calculation of Fair Value"), etc. from the beginning of the current consolidated fiscal year, and apply the new accounting policy stipulated in the Accounting Standards for Calculation of Fair Value, etc. in the future in accordance with the transitional treatment stipulated in Section 19 of the Accounting Standards for Calculation of Fair Value and Section 44-2 of the "Accounting Standards for Financial Instruments" (Corporate Accounting Standard No. 10, July 4, 2019). There is no impact on the financial statements for the current consolidated fiscal year.

3. Change in Presentation Method

(Consolidated Balance Sheet)

Advances paid" ¥164,255 thousand ($1,346 thousand) in the previous consolidated fiscal year ", which was included in "Other current assets" under "Current assets", is presented as a separate item in the current consolidated fiscal year due to its increased the amount of materiality.

4. Significant Accounting Estimates

(1) Recoverability of deferred tax assets

① JALUX Airport Inc.

・ Estimate

JALUX Airport Inc., which is included in the Retail business segment, has tax loss carryforwards which is assessed to be recoverable within the expiration period based on business plans of the consolidated taxpayer. As a result, deferred tax assets related to the tax loss carryforwards were recorded.

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

Deferred tax assets ¥686,096 thousand ($5,624 thousand)

・ Other information that contributes to understanding the details of the significant accounting estimates for the identified items

A deferred tax asset is recognized for the carryforward of unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The Company and some of its domestic consolidated subsidiaries have adopted the consolidated tax payment system. Deferred tax assets related to corporate and local income taxes are evaluated based on a reasonable estimate of future consolidated income to determine the recoverability.
Business plans used to assess the recoverability of JALUX Airport Inc.'s deferred tax assets were considered with the increase in domestic and international passenger numbers due to containment of COVID-19 as the main assumption.
Regarding impacts on business environment of the Company and its consolidated subsidiaries (the "Group") due to the spread of COVID-19, the number of domestic passengers is assumed to recover from the second quarter of the following fiscal year, while continuing to be affected by COVID-19 for the full fiscal year.
On the other hand, the number of international passengers is assumed to be gradually recovering from the second half of the following fiscal year, though the environment will remain severe.
There is high uncertainty on these major assumptions due to the trend of spread of COVID-19 and possibility of a significant impact on future taxable income estimates.

4. Significant Accounting Estimates (continued)

② JAL-DFS Inc.

・ Estimate

JAL-DFS Inc., which is included in the Retail business segment, has tax loss carryforwards which is assessed to be recoverable within the expiration period based on business plans of JAL-DFS Inc. As a result, deferred tax assets related to the tax loss carryforwards were recorded.

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

Deferred tax assets ¥239,380 thousand ($1,962 thousand)

・ Other information that contributes to understanding the details of the significant accounting estimates for the identified items

A deferred tax asset is recognized for the carryforward of unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.
Business plans used to assess the recoverability of JAL-DFS Inc.'s deferred tax assets were considered with the increase in international passenger numbers due to containment of COVID-19 as the main assumption.
Regarding impacts on business environment of the Company and its consolidated subsidiaries (the "Group") due to the spread of COVID-19, the number of international passengers is assumed to be gradually recovering from the second half of the following fiscal year, but the environment will remain severe.
There is high uncertainty on these major assumptions due to the trend of spread of COVID-19 and possibility of a significant impact on future taxable income estimates.

4. Significant Accounting Estimates (continued)

(2) Necessity of recognizing impairment losses on fixed assets

① Airport shops

・ Estimate

Regarding the airport shop business, which is included in the Retail business segment, due to the continuous operating losses at some airports, the Company determined that there were indications of impairment and reviewed the necessity of recognizing impairment losses.As a result of the review, for some airports, it was determined that the undiscounted future cash flows would be less than the carrying value of fixed assets of ¥15,544 thousand ($127 thousand) (property and equipment: ¥14,911 thousand ($122 thousand); intangible assets: ¥633 thousand ($5 thousand)); therefore, impairment losses were recorded. The carrying value of fixed assets for the airport shop business after recording the impairment losses is ¥682,113 thousand ($5,591 thousand) (property and equipment: ¥679,412 thousand ($5,569 thousand); intangible assets: ¥2,700 thousand ($22 thousand)).

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

Impairment losses on fixed assets	¥8,386 thousand ($69 thousand)

・ Other information that contributes to understanding the details of the significant accounting estimates for the identified items

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

4. Significant Accounting Estimates (continued)

② The overseas serviced apartment

・ Estimate

Regarding the overseas serviced apartment, which is included in the Life service business segment, due to the continuous operating losses, the Company determined that there were indications of impairment and reviewed the necessity of recognizing impairment losses.
As a result of the review, it was determined that the undiscounted future cash flows would be higher than the carrying value of fixed assets of ¥998,066 thousand ($8,181 thousand) (property and equipment: ¥998,066 thousand ($8,181 thousand); therefore, no impairment loss was recorded.

・ Other information that contributes to understanding the details of the significant accounting estimates for the identified items

The Group bases its grouping for assessing the impairment losses on fixed assets on the smallest identifiable groups of assets which generate cash inflows and which are largely independent of the cash inflows from other assets or groups of assets.
The overseas serviced apartment business is categorized based on the business as a basic unit.
If there is any indication of impairment, the Company determines the necessity of recognizing impairment losses by comparing the total undiscounted future cash flows from the asset group with its carrying value.
As a result of the determination, if the total amount of undiscounted future cash flows is less than the carrying value and it is necessary to recognize impairment losses, the carrying value is reduced to the recoverable value (the higher of the net selling price and its value in use).
At the same time, the reduction of carrying value is recognized as impairment losses.
Estimates of future cash flows for the overseas serviced apartment business are based on future business plans and considered with the future operation rate (occupancy rate) as the main assumption.
There is high uncertainty on these major assumptions due to the cancellation, trends of competitors, striking deterioration of market environment, etc. and possibility of a significant impact on future cash flow estimates.

5. Additional Information

(Adoption of the consolidated taxation system)
The Group has adopted the consolidated tax payment system from the current consolidated fiscal year.

(Adoption of tax effect accounting associated with transition from consolidated taxation system to group tax sharing system)
The Group will transition from the consolidated tax payment system to the group tax sharing system from following consolidated fiscal year. However, with regards to the transition to the group tax sharing system established in the "Act for Partial Amendment of the Income Tax Act" (Act No. 8 of 2020), and items for which the single tax payment system has been revised in line with the transition to the group tax sharing system, according to the Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), the Group did not follow the provisions of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16,2018), but applied the provisions of the tax law before the revision when calculating the amount of deferred tax assets and deferred tax liabilities.

From the beginning of the next consolidated fiscal year, The Company plans to apply the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System " (PITF No. 42, August 12, 2021).

6. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥122.00 = $1.00, the approximate exchange rate prevailing on March 31, 2022, has been used. The inclusion of such amounts is not intended to imply that yen has been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

7. Notes on Consolidated Balance Sheets

a. Accumulated depreciation of certain property and equipment
¥ 4,114,600 thousand ($33,726 thousand)

b. Revenue recognition matters
Amount of contract liabilities included in other current liabilities
¥ 904,883 thousand ($7,417 thousand)

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

The outstanding balances of loan commitments as of March 31, 2022 as follows:

	March 31,	
	2022	**2022**
(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Total commitment available	¥8,700,000	$71,311
Less amount utilized	–	–
Balance available	¥8,700,000	$71,311

8. Notes on Consolidated Statements of Income

a. Revenue from contracts with customers

The Company does not disaggregate revenues from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in "1. Information on disaggregation of revenue" under [Note 12 Revenue Recognition] of Notes to the Consolidated Financial Statements.

b. Impairment of Fixed Assets

The Group bases its grouping for assessing the impairment losses on fixed assets on the smallest identifiable groups of assets which generate cash inflows and which are largely independent of the cash inflows and which are largely independent of the cash inflows from other assets or groups of assets.
Impairment losses on business assets were recognized due to the significant decrease in expected future cash flows on the strategy plan for the fiscal years ending March 31, 2022.
The breakdown is as follows: buildings and structures ¥4,050 thousand ($33 thousand); machinery ,tools, furniture and fixtures ¥ 3,994 thousand ($33 thousand); and software, ¥341 thousand ($3 thousand).
The recoverable amount of each asset group is measured by value in use or net realizable value.

Location	Use	Years ended March 31, Classification	Years ended March 31, 2022	2022
			(Thousands of yen)	*(Thousands of U.S. dollars)*
Airport shops (Asahikawa city, Hokkaido)	Airport shops	Building, and others	¥8,386	$ 69

c. Loss due to temporary store closures
In response to various requests from governments regarding COVID-19, the Company has temporarily closed airport stores and other facilities. Therefor these fixed costs (labor cost, rent charges and depreciation) incurred during the temporary store closed period has be recorded as an extraordinary loss.

9. Notes on Consolidated Statement of Changes in Net Assets

The total 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, 2022 were as follows:

Number of shares of stock in issue: Common stock 12,775 (Thousands of shares)

There is no dividend payment.
There are no dividends for which the record date belongs to the current consolidated fiscal year but for which the effective date falls in the following consolidated fiscal year. There is no type and number of shares to be issued upon exercise of stock acquisition rights, except for those for which the first day of the exercise period has not yet arrived.

10. Financial Instruments

Information on the status of financial instruments

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

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

Long-term guarantee deposits are mainly 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.

Derivative transactions are forward foreign exchange contracts used to hedge against the risk of exchange rate fluctuations related to trade receivables and payables denominated in foreign currencies.

10. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments and estimated fair value in the consolidated balance sheet as of March 31, 2022 are shown in the following table.

	March 31, 2022		
	Carrying value (*1)	Estimated fair value (*1)	Difference
	(Thousands of yen)		
Investment securities	¥ 309,552	¥ 309,552	–
Long-term guarantee deposit	¥ 2,188,648	¥ 2,173,085	¥ (15,563)
Long-term debt (*2)	¥ (8,767,525)	¥ (8,745,045)	¥ 22,479
Derivatives	¥ 194,327	¥ 194,327	–

	March 31, 2022		
	Carrying value (*1)	Estimated fair value (*1)	Difference
	(Thousands of U.S. dollars)		
Investment securities	$ 2,537	$ 2,537	–
Long-term guarantee deposit	$ 17,940	$ 17,812	$ (128)
Long-term debt (*2)	$ (71,865)	$ (71,681)	$ 184
Derivatives	$ 1,593	$ 1,593	–

*1. The items in the section of liabilities are shown in brackets ( ).
*2. Long-term debt includes the current portion of long-term debt.
*3. Cash and time deposits, trade notes and accounts receivable and other notes and accounts receivable, trade notes and accounts payable, short-term borrowings, commercial papers and accrued expenses, which are settled in a short period of time and therefore have a value approximating their carrying amounts, are not stated.

Note 1: Derivative transactions

The fair value of forward foreign exchange contracts is based on forward exchange rates. In addition, the fair value of forward foreign exchange contracts that are accounted for under the allocation method is included in the fair value of the relevant notes and accounts trade receivables and notes and accounts trade payables, as they are accounted for as an integral part of the hedged items.

10. Financial Instruments (continued)

Note 2: Financial instruments that do not have market prices

	March 31, 2022	
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Unlisted stocks	¥ 2,413,284	$ 19,781

Because no quoted market price is available, the above financial instruments that do not have market prices are not included in the above table.

Fair values of financial instruments

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.
Level 1 Fair Value : Fair value based on (unadjusted) quoted prices in active markets for identical assets or liabilities
Level 2 Fair Value : Fair value based on directly or indirectly observable inputs other than Level 1 inputs
Level 3 Fair Value : Fair value based on the use of significant unobservable inputs

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

a. Financial assets and liabilities with carried amounts in the consolidated balance sheet at fair value

	March 31, 2022			
	Fair value *(Thousands of yen)*			
	Level 1	Level 2	Level 3	Total
Investment securities	¥ 309,552	–	–	¥ 309,552
Derivatives	–	¥ 194,327	–	¥ 194,327

	March 31, 2022			
	Fair value *(Thousands of U.S. dollars)*			
	Level 1	Level 2	Level 3	Total
Investment securities	$ 2,537	–	–	$ 2,537
Derivatives	–	$ 1,593	–	$ 1,593

10. Financial Instruments (continued)

b. Financial assets and liabilities not carried in the consolidated balance sheet at fair value

	March 31, 2022			
	Fair value *(Thousands of yen)*			
	Level 1	Level 2	Level 3	Total
Long-term guarantee deposit	–	–	¥ 2,173,085	¥ 2,173,085
Long-term debt	–	¥ 8,745,045	–	¥ 8,745,045

	March 31, 2022			
	Fair value *(Thousands of U.S. dollars)*			
	Level 1	Level 2	Level 3	Total
Long-term guarantee deposit	–	–	$ 17,812	$ 17,812
Long-term debt	–	$ 71,681	–	$ 71,681

Note: Valuation methods and inputs used in the calculation of fair value

a. Investment securities
Listed stocks are valued using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1 fair value.

b. Derivatives
Derivatives are classified as Level 2 fair value based on prices quoted by counterparty financial institutions, etc., as there are no publicly available quoted prices.

c. Long-term guarantee deposit
Long-term guarantee deposits are calculated based on the present value of future cash flows discounted by an appropriate index such as the yield of government bonds, and are classified as Level 3 fair value.

d. Long-term debt (Includes the current portion of long-term debt)
Long-term debt is classified as Level 2 fair value using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the debt and credit risk.

11. Investment and Rental Properties

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

The carrying value in the consolidated balance sheet and the corresponding fair value of those properties for the year ended March 31, 2022 are as follows:

(Thousands of yen)

Carrying Value	Fair Value
¥ 2,123,716	¥ 2,777,989

(Thousands of U.S. dollars)

Carrying Value	Fair Value
$ 17,408	$ 22,770

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.

12. Revenue Recognition

Information that disaggregates revenue arising from contracts with customers

		Aviation & airport business	Life service business	Retail business	Food & beverage business
		(Thousands of Yen)			
Revenue from contracts with customers					
	Aircraft parts	¥ 1,980,524			
	Machinery and Materials		¥ 2,390,843		
	Real estate		¥ 865,872		
	Insurance		¥ 862,092		
JALUX Inc.	In-flight and Mail-order sales			¥ 4,563,887	
	Fisheries				¥ 7,649,172
	Wine				¥ 1,923,255
	Other	¥ 164,493		¥ 1,608,205	¥ 1,267,110
	Subtotal	¥ 2,145,018	¥ 4,118,808	¥ 6,172,093	¥ 10,839,537
	Aircraft parts	¥ 1,060,314			
	Machinery and Materials		¥ 1,938,560		
	Real estate		¥ 892,984		
	Insurance			¥ 10,044,966	
Subsidiary Company	Airport and Duty-free stores				
	Agricultural				¥ 2,452,506
	Food Manufacturing				¥ 1,612,159
	Other	¥ 99,147	¥ 288,067	¥ 2,451,600	¥ 999,301
	Subtotal	¥ 1,159,461	¥ 3,119,612	¥ 12,496,567	¥ 5,063,967
	Consolidated total	¥ 3,304,479	¥ 7,238,420	¥ 18.668,661	¥ 15,903,504
	Internal transaction	¥ (671,128)	¥ (338,077)	¥ (519,688)	¥ (1,072,528)
	Total	¥ 2,633,351	¥ 6,900,342	¥ 18,148,972	¥ 14,830,976
Other revenues		¥ 369,905	¥ 2,761,393		
Sales to external customers		¥ 3,003,256	¥ 9,661,736	¥ 18,148,972	¥ 14,830,976

12. Revenue Recognition (continued)

		Aviation & airport business	Life service business	Retail business	Food & beverage business
		(Thousands of U.S. dollars)			
Revenue from contracts with customers					
JALUX Inc.	Aircraft parts	$ 16,234			
	Machinery and Materials		$ 19,597		
	Real estate		$ 7,097		
	Insurance		$ 7,066		
	In-flight and Mail-order sales			$ 37,409	
	Fisheries				$ 62,698
	Wine				$ 15,764
	Other	$ 1,348		$ 13,182	$ 10,386
	Subtotal	$ 17,582	$ 33,761	$ 50,591	$ 88,849
Subsidiary Company	Aircraft parts	$ 8,691			
	Machinery and Materials		$ 15,890		
	Real estate		$ 7,320		
	Insurance			$ 82,336	
	Airport and Duty-free stores				
	Agricultural				$ 20,103
	Food Manufacturing				$ 13,214
	Other	$ 813	$ 2,361	$ 20,095	$ 8,191
	Subtotal	$ 9,504	$ 25,571	$ 102,431	$ 41,508
	Consolidated total	$ 27,086	$ 59,331	$ 153,022	$ 130,357
	Internal transaction	$ (5,501)	$ (2,771)	$ (4,260)	$ (8,791)
	Total	$ 21,585	$ 56,560	$ 148,762	$ 121,565
Other revenues		$ 3,032	$ 22,634		
Sales to external customers		$ 24,617	$ 79,195	$ 148,762	$ 121,565

*Other revenues include revenues related to the leasing business.

Information that is the basis for understanding revenue from contracts with customers

The Group is engaged in the sale of products mainly through wholesale and retail in the Airlines & airports, Life services, Retail, and Foods & beverages segments. In the sale of products and commodities as a principal, the Group recognizes revenue when the terms of delivery have been satisfied as it is considered that the customer has obtained control of the products or commodities and therefore, the identified performance obligations have been satisfied at that point. For transactions that require a certain period of time from shipment to acceptance inspection by the customer, the Group recognizes revenue when the performance obligation has been satisfied at the time of acceptance inspection by the customer.
In addition, revenues of Retail Business and Food & beverage Business are mainly calculated based on the prices stipulated in the contracts, less discounts and rebates. For transactions in which the Group's role in providing goods or services to customers is that of an agent, revenue is recognized at the net amount received from customers less amounts paid to suppliers.

12. Revenue Recognition (continued)

Information to understand the amount of revenue for the relevant consolidated fiscal year and subsequent fiscal years

(a) Outstanding contract liabilities

	Consolidated fiscal year under review		
	Balance at beginning of the period	Balance at end of the period	
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Contract liabilities	¥ 989,322	¥ 904,883	$ 7,417

*In the consolidated financial statements, contract liabilities are included in "Others"

(b) Transaction price allocated to remaining performance obligations

For the transaction price allocated to the remaining performance obligations, revenue is recognized as the contract progress. The residual performance obligation is expected to be recognized as revenue over the next one to three years.

13. Amounts Per Share

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

	Year ended March 31,	
	2022	
	(Yen)	*(U.S. dollars)*
	¥ 1,841.28	$ 15.09

Net loss per share is computed based on the weighted average number of shares of common stock outstanding during each year.

	Year ended March 31,	
	2022	
	(Yen)	*(U.S. dollars)*
Net loss per share of common stock:		
Basic	¥ 29.31	$ 0.24

14. Significant Subsequent Events

As part of procedures that the Company goes private, the Company made a resolution on the reverse stock split at the Extraordinary Meeting of Stockholders held on May 13, 2022. Due to this resolution, the shares issued by the Company fell under the delisting criteria of the Tokyo Stock Exchange and were scheduled to be delisted as of June 2, 2022.

a. Purpose of the reverse stock split
   The reverse stock split is executed so that the Company's shares are owned by Japan Airlines Co., Ltd., Sojitz Corporation, SJ Future Holdings Corporation, and Japan Airport Terminal Co., Ltd., and the Company goes private and maintain and strengthen the relationship with the existing major shareholders.

b. Type of shares to be consolidated
   Common stock

c. Consolidation ratio
   Consolidating 340,666 shares into 1

d. Total number of outstanding shares to be reduced
   12,650,573 shares

e. Total number of outstanding shares after the effective date
   37 shares

f. Total number of authorized shares as of the effective date
   148 shares

g. Date of reverse stock split
   June 4, 2022

As a result of the reverse stock split, the number of shares held by shareholders except for SJ Future Holdings Corporation, Sojitz Corporation, Japan Airlines Co., Ltd. and Japan Airport Terminal Co., Ltd. had been fractional shares, and which have been sold to SJ Future Holdings Corporation upon court approval.