

15. Segment Information

The Company and its consolidated subsidiaries conduct worldwide operations related to aviation as well as to lifestyle and customer services. They have segmented their business into three categories: “Aviation business,” “Life service business” and “Customer service business.”

Aviation business:

Operations within the Aviation business segment are as follows:

- Purchases of aircraft, spare engines and full flight simulators
- Sales of used aircraft
- Aircraft parts – supply and logistics
- Handling airline surpluses
- Support for the steady supply of fuel as a fuel purchasing agent
- Sales and operating agreement of equipment for airport facilities and of materials for construction
- Sales and operating agreement of airport vehicles and security equipment
- Planning and sales of international inflight duty-free goods and domestic inflight goods
- Planning and sales of uniforms mainly for airlines and airport shops
- Aircraft leasing for training purposes

Life service business:

Operations within the Life service business segment are as follows:

- Import and sales of agricultural and marine products and flowers
- Planning and sales of processed foodstuffs, gifts of food, high quality wines
- Providing wines for JAL inflight beverage service
- Planning and sales of original jewelry
- Mail order business through inflight magazines (“JALSHOP”)
- Online shopping on a web site

Customer service business:

Operations within the Customer service business segment are as follows:

- Planning and creation of printed matter and other media
- Wholesale sales of office appliances
- Insurance and life assurance agent
- Sales of real estate and relocation consulting services
- Management of BLUE SKY (souvenir shops, restaurants and coffee shops)
- Management of JAL–DFS (duty free stores)

15. Segment Information (continued)

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005, 2004 and 2003 are summarized as follows:

	Year ended March 31, 2005					
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Thousands of yen)</i>					
Sales to outside parties	¥28,141,383	¥27,331,712	¥43,149,899	¥98,622,995	¥ –	¥98,622,995
Inter-segment sales and transfers	835,799	72,456	3,170	911,427	(911,427)	–
Total	28,977,183	27,404,169	43,153,070	99,534,423	(911,427)	98,622,995
Operating expenses	27,270,612	26,720,410	40,233,701	94,224,725	1,656,603	95,881,328
Operating income	¥ 1,706,570	¥ 683,758	¥ 2,919,369	¥ 5,309,698	¥(2,568,030)	¥ 2,741,667
Depreciation and amortization	¥ 269,370	¥ 66,955	¥ 224,511	¥ 560,837	¥ 73,509	¥ 634,346
Impairment losses on fixed assets	¥ –	¥ –	¥ 72,017	¥ 72,017	¥ 51,322	¥ 123,340
Capital expenditures	¥ 308,047	¥ 36,484	¥ 589,536	¥ 934,068	¥ 43,357	¥ 977,425
Identifiable assets	¥11,223,935	¥ 7,161,095	¥11,962,018	¥30,347,049	¥ 4,817,646	¥35,164,696

	Year ended March 31, 2005					
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>					
Sales to outside parties	\$263,004	\$255,437	\$403,270	\$921,710	\$ –	\$921,710
Inter-segment sales and transfers	7,811	677	30	8,518	(8,518)	–
Total	270,815	256,114	403,300	930,228	(8,518)	921,710
Operating expenses	254,866	249,723	376,016	880,605	15,482	896,087
Operating income	\$ 15,949	\$ 6,390	\$ 27,284	\$ 49,623	\$24,000	\$ 25,623
Depreciation and amortization	\$ 2,517	\$ 626	\$ 2,098	\$ 5,241	\$ 687	\$ 5,928
Impairment losses on fixed assets	\$ –	\$ –	\$ 673	\$ 673	\$ 480	\$ 1,153
Capital expenditures	\$ 2,879	\$ 341	\$ 5,510	\$ 8,730	\$ 405	\$ 9,135
Identifiable assets	\$104,897	\$ 66,926	\$111,795	\$283,617	\$45,025	\$328,642

15. Segment Information (continued)

Year ended March 31, 2004						
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Thousands of yen)</i>					
Sales to outside parties	¥22,219,979	¥27,174,191	¥36,695,820	¥86,089,991	¥ –	¥86,089,991
Inter-segment sales and transfers	716,613	83,201	5,177	804,992	(804,992)	–
Total	22,936,593	27,257,392	36,700,997	86,894,984	(804,992)	86,089,991
Operating expenses	21,331,771	26,586,777	34,343,179	82,261,728	1,746,900	84,008,629
Operating income	¥ 1,604,822	¥ 670,614	¥ 2,357,817	¥ 4,633,255	¥(2,551,892)	¥ 2,081,362
Depreciation and amortization	¥ 308,162	¥ 75,005	¥ 181,590	¥ 564,759	¥ 72,764	¥ 637,524
Capital expenditures	¥ 722,343	¥ 35,992	¥ 465,147	¥ 1,223,483	¥ 88,664	¥ 1,312,148
Identifiable assets	¥10,772,286	¥ 7,208,940	¥12,847,919	¥30,829,146	¥ 4,877,607	¥35,706,754
Year ended March 31, 2003						
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Thousands of yen)</i>					
Sales to outside parties	¥24,978,580	¥25,575,813	¥36,312,609	¥86,867,003	¥ –	¥86,867,003
Inter-segment sales and transfers	739,670	82,461	4,742	826,874	(826,874)	–
Total	25,718,251	25,658,275	36,317,352	87,693,878	(826,874)	86,867,003
Operating expenses	24,361,508	25,410,897	33,850,766	83,623,172	1,407,485	85,030,657
Operating income	¥ 1,356,743	¥ 247,377	¥ 2,466,586	¥ 4,070,706	¥(2,234,360)	¥ 1,836,346
Depreciation and amortization	¥ 330,858	¥ 69,066	¥ 183,286	¥ 583,211	¥ 79,703	¥ 662,914
Capital expenditures	¥ 931,857	¥ 133,967	¥ 518,842	¥ 1,584,668	¥ 95,067	¥ 1,679,735
Identifiable assets	¥ 9,726,191	¥ 7,335,800	¥10,591,959	¥27,653,951	¥ 5,003,147	¥32,657,099

Due to the reorganization during the year ended March 31, 2003, the domestic sales branches of the Company mainly engaging in the life service business segment were discontinued and transferred to each independent division of the headquarters. As a result, sales and operating income in the life service business segment decreased by ¥3,364,936 thousand and ¥129,213 thousand, respectively, while those in the aviation business segment increased by ¥1,115,186 thousand and ¥10,950 thousand, respectively. In addition, sales and operating income in the customer service business segment increased by ¥2,249,750 thousand and ¥118,263 thousand, respectively, for the year ended March 31, 2003.

Unallocated operating expenses included in “General corporate assets and intercompany eliminations” for the years ended March 31, 2005, 2004 and 2003 amounted to ¥2,568,816 thousand (\$24,008 thousand), ¥2,553,981 thousand and ¥2,284,517 thousand, respectively, and consisted primarily of administrative expenses incurred at the Company’s headquarters.

15. Segment Information (continued)

In addition, unallocated assets included in “General corporate assets and intercompany eliminations” at March 31, 2005, 2004 and 2003 amounted to ¥5,028,922 thousand (\$46,999 thousand), ¥5,295,421 thousand and ¥5,472,550 thousand, respectively, and consisted primarily of cash and cash equivalents, investments in securities and assets belonging to the headquarters of the Company.

The geographical segment information of the Company and the consolidated subsidiaries for the years ended March 31, 2005, 2004 and 2003 is summarized as follows:

	Year ended March 31, 2005					Consolidated
	Japan	North America	Other overseas countries	Total	General corporate assets and intercompany eliminations	
	<i>(Thousands of yen)</i>					
Sales to outside parties	¥95,131,871	¥1,824,609	¥1,666,515	¥98,622,995	¥ –	¥98,622,995
Inter-segment sales and transfers	283,610	7,617,345	1,558,682	9,459,638	(9,459,638)	–
Total	95,415,481	9,441,954	3,225,197	108,082,634	(9,459,638)	98,622,995
Operating expenses	92,768,755	9,308,966	3,404,436	105,482,158	(9,600,830)	95,881,328
Operating income (loss)	¥ 2,646,726	¥ 132,988	¥ (179,239)	¥ 2,600,475	¥ 141,191	¥ 2,741,667
Identifiable assets	¥31,988,156	¥5,129,848	¥ 631,673	¥37,749,678	¥(2,584,982)	¥35,164,696

	Year ended March 31, 2005					Consolidated
	Japan	North America	Other overseas countries	Total	General corporate assets and intercompany eliminations	
	<i>(Thousands of U.S. dollars)</i>					
Sales to outside parties	\$889,083	\$17,052	\$15,575	\$921,710	\$ –	\$921,710
Inter-segment sales and transfers	2,651	71,190	14,567	88,408	(88,408)	–
Total	891,733	88,243	30,142	1,010,118	(88,408)	921,710
Operating expenses	866,998	87,000	31,817	985,815	(89,727)	896,087
Operating income (loss)	\$ 24,736	\$ 1,243	\$ (1,675)	\$ 24,304	\$ 1,320	\$ 25,623
Identifiable assets	\$298,955	\$47,943	\$ 5,903	\$352,801	\$(24,159)	\$328,642

	Year ended March 31, 2004					Consolidated
	Japan	North America	Other overseas countries	Total	General corporate assets and intercompany eliminations	
	<i>(Thousands of yen)</i>					
Sales to outside parties	¥83,378,350	¥1,418,062	¥1,293,579	¥86,089,991	¥ –	¥86,089,991
Inter-segment sales and transfers	72,880	4,682,517	1,463,318	6,218,716	(6,218,716)	–
Total	83,451,230	6,100,580	2,756,897	92,308,708	(6,218,716)	86,089,991
Operating expenses	81,604,343	6,069,908	2,921,622	90,595,874	(6,587,245)	84,008,629
Operating income (loss)	¥ 1,846,887	¥ 30,671	¥ (164,725)	¥ 1,712,833	¥ 368,528	¥ 2,081,362
Identifiable assets	¥33,225,637	¥4,116,983	¥ 711,591	¥38,054,212	¥(2,347,458)	¥35,706,754

15. Segment Information (continued)

Year ended March 31, 2003						
	Japan	North America	Other overseas countries	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Thousands of yen)</i>					
Sales to outside parties	¥84,335,906	¥1,240,302	¥1,290,794	¥86,867,003	¥ –	¥86,867,003
Inter-segment sales and transfers	125,397	5,237,016	1,749,497	7,111,910	(7,111,910)	–
Total	84,461,303	6,477,318	3,040,292	93,978,914	(7,111,910)	86,867,003
Operating expenses	82,678,178	6,356,929	3,119,346	92,154,454	(7,123,796)	85,030,657
Operating income (loss)	¥ 1,783,124	¥ 120,389	¥ (79,053)	¥ 1,824,460	¥ 11,885	¥ 1,836,346
Identifiable assets	¥29,760,169	¥4,322,449	¥ 641,806	¥34,724,425	¥(2,067,326)	¥32,657,099

For the years ended March 31, 2005, 2004 and 2003, operating revenues from overseas operations represented less than 10% of consolidated operating revenues. As a result, operating revenues from overseas operations are not required to be disclosed.

16. Derivative and Hedging Activities

The Company has utilized forward foreign exchange contracts and foreign currency coupon swaps to hedge certain foreign currency transactions related to foreign accounts receivable and payable on a consistent basis. The Company has also utilized interest-rate and currency swaps to minimize the risk of fluctuation in cash flows arising from changes in interest and foreign exchange rates related to its outstanding debt.

The Company enters into hedging transactions in accordance with its internal guidelines. The routine operations relating to hedging activities are formalized and controlled by the Accounting Department. Gain or loss on hedging instruments and the assessment of hedge effectiveness, which is performed both at the inception and on an ongoing basis, is reported to the related directors and department managers on a timely basis.

Since all derivative instruments held by the Company at March 31, 2005 and 2004, met the criteria for hedge accounting, fair value information has not been presented.

17. Related Party Transactions

The Company had significant related party transactions with the parent company, the companies controlled by the parent company and the companies over which the Company exercises significant influence in the terms of their operating and financial policies.

The transactions between the Company and the parent company for the years ended March 31, 2005 are summarized as follows:

17. Related Party Transactions (continued)

With Japan Airlines Corporation:

	Year ended March 31,	
	2005	2005
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Proceeds from sales of investments in securities	¥22,111	\$207
Gain on sales of investments in securities	15,995	149

The transactions between the Company and the companies controlled by the parent company, for the years ended March 31, 2005, 2004 and 2003 are summarized as follows:

With Japan Airlines International Co., Ltd.:

	Year ended March 31,			2005
	2005	2004	2003	
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Operating revenues:				
Sales of flight equipment	¥16,110,755	¥14,576,148	¥16,559,530	\$150,568
Purchases of merchandise	-	1,250,619	1,351,444	-

	March 31,		
	2005	2004	2005
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Accounts receivable	¥3,281,641	¥3,652,792	\$30,670

With Japan Airlines Domestic Co., Ltd.:

	Year ended March 31,	
	2005	2005
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Operating revenues:		
Sales of flight equipment	¥2,210,936	\$20,663

	March 31,	
	2005	2005
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Accounts receivable	¥366,507	\$3,425

17. Related Party Transactions (continued)

With JAL Capital Co., Ltd.:

	Year ended March 31,		
	2005	2004	2005
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Proceeds from short-term borrowings	¥28,500,000	¥31,750,000	\$266,355
Repayment of short-term borrowings	29,300,000	30,150,000	273,832
Sales of merchandise	—	573,733	—
Interest expenses	5,116	8,822	48
	March 31,		
	2005	2004	2005
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Short-term borrowings	¥800,000	¥1,600,000	\$7,477
Accounts receivable	—	554,719	—

With Fukuoka Airport Building Co., Ltd.:

	Year ended March 31,	
	2005	2005
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Operating expenses:		
Rent for office space	¥56	\$1
	March 31,	
	2005	2005
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Other current assets	¥475,714	\$4,446
Deposits for business space	118,200	1,105