

The JALUX Group

The JALUX group consists of JALUX, six subsidiaries (of which five are consolidated), and twelve affiliates (of which seven are accounted for by the equity method). As the core distribution and services enterprise of the Japan Airlines (JAL) Group, JALUX supplies products and services to each member of the JAL group and to companies outside the group in both aviation and non-aviation areas.

On the basis of aviation-related business, we aim to actively develop lifestyle and customer services targeting the general market and general consumer, and to enhance corporate value.

The JALUX group's main product and sales structures for each business are as follows.

Business segment	Major fields and sales structures	Subsidiaries
Aviation-related	Aircraft, aircraft components, aircraft fuel, machinery, equipment & materials, cabin service supply, in-flight sales, textiles supply < Consulting service & supporting work and wholesale businesses >	JALUX AMERICAS, INC. JALUX EUROPE LTD.
Lifestyle services	Jewelry and general merchandise, agricultural & marine products, processed foods, food gift items, wine & liquor < Catalog sales, Web sales, and wholesale businesses >	JALUX AMERICAS, INC. JALUX EUROPE LTD. JALUX ASIA LTD.
Customer services	Creative design and printing, life design services (including insurance & FP and real estate), BLUE SKY airport shops, JAL-DFS duty-free shops	JAL-DFS CO., LTD. JALUX AIRPORT, INC. JALUX EUROPE LTD.

(1) Aviation-related business

This sector mainly targets the general company, especially aviation-related businesses. It carries out sales and procurement supporting services for aircraft; aircraft components; aircraft fuel; machinery, equipment, and materials (ground service equipment for airports); cabin service supplies; in-flight sales (including duty-free products on international air routes); and textile supplies (including uniforms).

Overseas, JALUX AMERICAS, INC. runs a training-type aircraft leasing business in addition to supplying aircraft components and other products.

(2) Lifestyle services business

This sector mainly targets the general consumer and company and sells general merchandise; agricultural (including livestock and flowers) and marine products; processed foods; food gift items; and wine and liquor.

In the processed foods sector, the main products include JALUX's original JAL SELECTION De Sky series.

For sales to the general consumer, the main retail channel is direct mail using catalogs such as the on-board JAL SHOP and JAL World Shopping Club, as well as JAL Shopping on the JAL website's Web mall

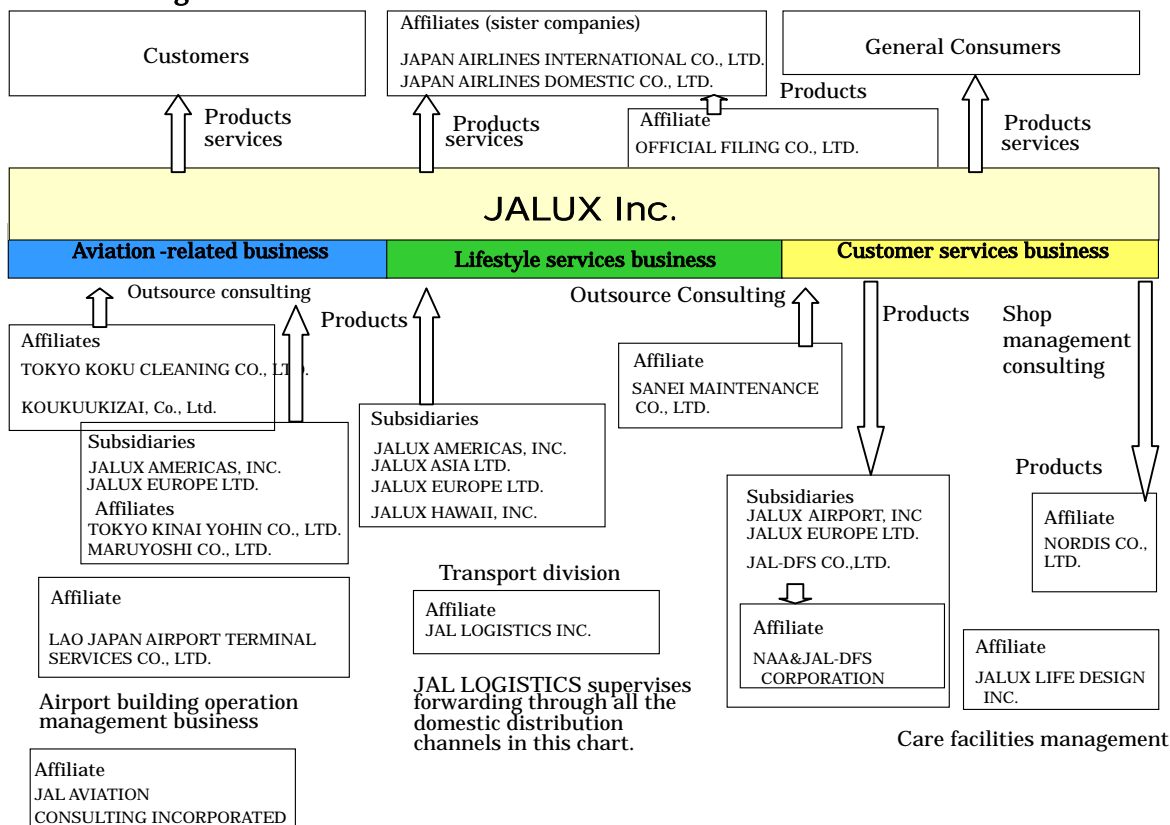
(3) Customer services business

This sector mainly targets the general consumer and company and undertakes planning & production in the creative design and printing business as well as "life design" businesses such as insurance (including damage insurance), FP and real estate sales, agency work, and property activation.

It also operates BLUE SKY shops and restaurants and JAL-DFS duty-free shops at major domestic airports, mainly targeting airline passengers.

Overseas, JALUX EUROPE is developing the JAL Plaza Igrisuya (gift shop in London) , the Plaza Wien Jalux (gift shop in Vienna), and other shops.

The following flow chart illustrates our main business sectors.



CONSOLIDATED SUBSIDIARIES

JALUX EUROPE LTD.
 JALUX AMERICAS, INC.
 JALUX ASIA LTD.
 JAL-DFS CO.,LTD.
 JALUX AIRPORT, INC.

Gift sales and trading
 Leasing and trading
 Trading
 Duty-free sales shops
 Management consulting for shops, restaurants, and cafes.

NON- CONSOLIDATED SUBSIDIARIES

JALUX HAWAII, INC.

Trading

AFFILIATES

TOKYO KOKU CLEANING CO., LTD.
 TOKYO KINAI YOHIN CO., LTD.
 MARUYOSHI CO., LTD.
 JAL LOGISTICS INC.
 SANEI MAINTENANCE CO., LTD.
 KOUKUUKIZAI, Co., Ltd.

Linen supplies and cleaning
 Production of cabin equipment for aircraft, ships, and rolling stock, and production and repair of aircraft equipment
 Manufacture and sales of bags, purses, fancy goods, footwear, and sports supplies.
 Automobile transport handling, export-import customs clearance, warehousing
 Building cleaning, facilities management, security
 Design and manufacture of special equipment for transport machines
 Parts repair and processing for airplane devices
 Liquor and souvenir sales

NORDIS CO., LTD.
 OFFICIAL FILING CO.,LTD.

Consulting business dealing with passenger fares, freight fares, and arrival/departure times

LAO JAPAN AIRPORT TERMINAL SERVICES CO.,LTD.

Operation and management of the terminal buildings inside Vientiane Wattay International Airport

JAL AVIATION CONSULTING INCORPORATED
 JALUX LIFE DESIGN INC.

Development planning data gathering and consulting business dealing with the aviation field.
 Care facilities management

NAA&JAL-DFS CORPLATION

Duty-free sales shops

---Affiliates accounted for by the equity method

Sister companies

JAPAN AIRLINES INTERNATIONAL CO., LTD. Air transport business
 JAPAN AIRLINES DOMESTIC CO.,LTD. Air transport business

Status of affiliates

Name	Address	Capitalization (thousand yen)	Subject of business or occupation (note 1)	Voting rights ratio (%)	Relationship with JALUX JALUX:
Parent company					
JAPAN AIRLINES CORPORATION (notes 2, 3)	Shinaga wa-ku, Tokyo	100,000,000	Holding corporation for companies engaged in air transport services and related businesses	51.5 (0.2)	maintains and manages buildings.
Consolidated subsidiaries					
JALUX EUROPE LTD. (note 4)	UK London	STG £ 1,500,000	Aviation-related Lifestyle services Customer services	100.0	purchases aircraft parts, in- flight cabin supplies, and in- flight sales supplies.
JALUX AMERICAS, INC. (note 4)	US Los Angeles	US \$ 5,000,000	Aviation-related Lifestyle services	100.0	purchases aircraft parts, in- flight cabin supplies, and in- flight sales supplies.
JALUX ASIA LTD.	Thailand Bangkok	THB 24,000,000	Lifestyle services	85.0	purchases sales products.
JAL-DFS CO., LTD. (notes 4)	Narita- City, Chiba	300,000	Customer services	60.0	sells goods for duty-free shops.
JALUX AIRPORT, INC.	Shinaga wa-ku, Tokyo	15,000	Customer services	100.0	commissions for airport shop management services.
Affiliates accounted for by the equity method					
TOKYO KOKU CLEANING CO., LTD.	Ota-ku, Tokyo	40,000	Aviation-related	30.0	commissions cleaning business for cabin and staff textiles.
TOKYO KINAI YOHIN CO., LTD.	Ota-ku, Tokyo	10,000	Aviation-related	20.0	purchases aircraft cabin equipment.
MARUYOSHI CO., LTD.	Bunkyo- ku, Tokyo	98,000	Aviation-related	25.6	purchases clothing for in-flight service supplies.
JAL LOGISTICS INC.	Ota-ku, Tokyo	144,000	Customer services	28.0	commissions customs clearance, warehouse storage, and transport for sales products.
SANEI MAINTENANCE CO., LTD.	Narita- City, Chiba	70,000	Customer services	28.6	commissions maintenance, management, and cleaning of facilities business.
KOKUUKIZAI, Co., Ltd.	Ota-ku, Tokyo	15,000	Aviation-related	24.0	commissions repair and maintenance business of cabin equipment.
NORDIS CO., LTD.	Chitose- City, Hokkaido	50,000	Customer services	49.0	sells liquor and souvenirs.

- Notes: 1. The name of the business segment is recorded in the "subject of business or occupation" column (excluding the parent company).
2. Submits a security report.
3. The voting rights ratio indicates the ownership ratio. Figures in parentheses indicate indirect ownership ratios.
4. Applicable to specific subsidiaries.
5. Japan Airlines System Corporation changed its name to Japan Airlines Corporation on June 26, 2004.
6. JAL/DFS Duty Free Shoppers Co., Ltd. changed its name to JAL-DFS Co., Ltd. on July 1, 2004.
7. Due to a stock transfer from Japan Airlines International Co., Ltd to Japan Airlines Corporation on November 24, 2004, Japan Airlines International Co., Ltd. ceases to be the parent company of JALUX. Japan Airlines Corporation is the sole parent company of JALUX.

Management Policies

(a) Basic Management Policies

I. Corporate philosophy

“Contributing to Tomorrow”

We enhance the well-being of society by constantly creating high-quality products and services to enrich customer lifestyles.

II. Corporate culture

“Challenge & Change - Yes, We Can”

We regard changing times as an opportunity to take on challenges fearlessly and resolutely, and to continuously transform ourselves.

III. Management position

We aim to develop the company by continually supplying good quality products and services to the customer, while at the same time strengthening corporate foundations by creating the capacity for long-term, stable profit growth, and returning profits to customers, shareholders, employees, and the community.

1. Focus on the customer: Cooperate to achieve customer satisfaction, and carry the conviction that we can “Contribute to Tomorrow.”
2. Prioritize the shareholder: Build long-term relationships with all shareholders and return stable profits.
3. Highlight employee contentment: Emphasize staff and family happiness, and create an environment where employees are motivated to work.
4. Contribute to corporate social responsibility: Emphasize CSR and tackle business activities while working to conserve resources and the environment.

(b) Basic aims concerning profit distribution

We consider building long-term relationships with all shareholders and returning stable profits to be key management positions. We also favor a stable and continuous distribution of dividends while taking into consideration dividend payout ratio.

Regarding dividends paid out for the period ended March 2004, we added 4 yen to the ordinary dividend of 16 yen per share, making a total of 20 yen, in commemoration of transfer to the first section of the Tokyo Stock Exchange. For the period ended March 2005, we distributed ordinary dividends of 22 yen per share as our profits rise. Moreover, for the period ended March 2006, we plan to distribute 24 yen per share as our profits rise.

We are also working to strengthen our financial structure and management base through our internal reserves, and we aim to return more income to the shareholders, and to meet the expectations of all the shareholders, through future business and profit expansion.

(c) Management index targets

Positioning return on equity (ROE) and return on assets (ROA) as an important management target, we aim to build and modify a highly efficient business model and a management style focused on balance sheets.

Concerning the key drivers of ordinary income to net sales, we have raised the standards over the past several years by improving management efficiency through such means as shifting resources to high-profit businesses. We are not complacent, but aim at further improvement

through reviews of the business portfolio and raising cost efficiency.

Planned Management Targets for the Period Ending March 2008 (Consolidated)		
(million yen)	Results for period ended March 2005	Period ending March 2008 (plan)
Net sales	98,622	108,000
Ordinary income	2,878	4,000
Ratio of ordinary income to sales	2.9%	3.7%
Net income	1,435	2,100
RO E	13.0%	13.9%
RO A	4.1%	5.1%

(d) Mid- to long-term corporate management strategies and themes

In the mid- to long-term view, we aim to enhance market competitiveness and customer satisfaction by raising business quality, while also enhancing corporate value by exploiting strategic approaches and effective use of management resources.

Moreover, by following our corporate philosophy and management position while enhancing mid-long term profitability, we are aiming for new business development leading to continuous growth through the future growth areas of the environment, culture, and public welfare. In the mid-term, we aim to wrestle with each of the themes from the following business strategies and achieve each target.

Strengthen and expand existing businesses

1) Strengthen marketing power

Ascertain customer needs, focus on customer satisfaction, and strengthen quality management systems and divisional affiliations.

2) Strengthen group management

Focus on the air transport peripherals business for overseas and promote business outside the group.

3) Display the merger effect

Promote cost efficiencies and synergies with established businesses resulting from the merger with JAS Trading

4) Promote good investment

Expand sectors by investing aggressively in areas where we anticipate synergies from the combination of growth areas and established businesses.

5) Redistribute management resources

Optimize business overall by distributing resources primarily to growth areas and investigating and taking action on low-profit businesses.

Taking on new business

In the environment and culture fields, we are taking action to exploit management resources for the JAL group as a whole and to develop new businesses and products.

In the welfare field, we are taking action to cultivate knowledge and techniques for care businesses and expand profits, while at the same time developing business in secondary welfare fields.

(e) Corporate governance: Basic thinking and implementation

Basic thinking

We will continuously review the governance system to reinforce sound and efficient management. In order to strengthen these areas, we are working to establish an action model, promote consolidation of new regulations, and carefully observe laws and ordinances.

We are also working to improve fairness and transparency, disclose information quickly and accurately, and establish a specialist investor relations organization and appropriate advertising activities for investors (shareholders).

Implementation status

1) Content of corporate bodies

We are promoting management systems aligned with global standards from a standpoint of enhancing corporate governance. We aim to promote sound and efficient corporate management that is capable of swift decision making.

Board of directors

The board of directors comprises 14 directors, including three external directors. It is the highest body carrying out executive decisions and supervising important matters relating to our basic aims, strategy policies, and the Commercial Code. The board meets once a month. Three auditors (including two external auditors) sit on the board in a supervisory function, and carry out audits as appropriate

Administrative council

The administrative council comprises 11 standing directors and meets twice a month. The council discusses all key topics relating to company management, deliberates over matters that concern the board of directors, and takes essential decisions, with the aim of executing smooth corporate management. One statutory auditor also attends in a director's supervisory capacity, and carries out audits as appropriate.

The council also aims to conduct an overall review of our company's business. For products, services, transaction content, and business activities, we will reevaluate and take action where necessary from social, public, customer/market, conformance to regulations, risk handling, efficiency, and other positions. We aim to raise the quality of business and employees by establishing a business quality improvement committee and a business quality management department, and are fulfilling our corporate social responsibility while considering the environment and sincerely supporting the customers

In order to implement these aims, we have recently established JALUX group action guidelines and an in-house consultation and reporting system for business quality. In this way, we have established a positive system that transcends hierarchies and can grasp both good and bad information. We have also built an administrative system along similar lines to handle private information. This effective and secure system complies with relevant guidelines and regulations.

Board of auditors

The board of auditors is an independent body comprising three auditors. Two of these auditors are external. The board meets once every three months, and can conduct a detailed audit at any

time it is considered necessary. The board is positioned as a body that carries out detailed audits ensuring propriety and legality, especially as it concerns JALUX business and finances.

In order to further strengthen our auditing business, we are carrying out daily audits including visiting audits in our subsidiaries both in Japan and overseas.

The relationships among the company, external directors, and external auditors are outlined below.

External director: JALUX undertakes damage insurance agency business on the basis of consulting contracts. In accordance with Commercial Code Article 188, Clause 2, Provision 7.2, two of the three external directors appointed are a senior executive managing director and executive managing director at non-life insurance companies (Nissay Dowa General Insurance Co., Ltd. and Tokio Marine & Nichido Fire Insurance Co., Ltd.). The third external director is an executive at the parent company, Japan Airlines.

External auditor: JALUX has a transactional relationship for procurement supporting between Japan Airlines Corporation and Japan Airlines International Co., Ltd., and as stipulated in the “Regulations concerning exceptions in the Commercial Code relating to auditing of publicly owned companies,” No. 18, clause 1, the two external auditors appointed are to be a standing auditor and company executive for these clients.

2) Internal and financial auditing

Internal audits are carried out through the internal auditing and business quality management departments under the president's direct control. The aims of the audits are to guarantee business efficiency and compliance by ascertaining the state of business operations, and effecting improvements through internal audits regarding legality and propriety in all JALUX departments. Financial audits are contracted with Ernst & Young ShinNihon. As well as carrying out audits based on the Commercial Code and Securities and Exchange Act, informal viewpoints are also exchanged regularly. Compensation for financial auditors and compensation for non-auditing work undertaken are assumed to require prior in-house approval.

The following lists name the certified public accountants from Ernst & Young ShinNihon who carry out auditing work for JALUX, and indicate the auditing support structure.

	Name	Number of years in charge of JALUX
Designated employee	Tsunetoshi Harada, operating officer	1
Designated employee	Shinichiro Suzuki, operating officer	6
Designated employee	Atsushi Ono, operating officer	1

Auditing support

4 certified public accountants

8 assistant accountants

3) The internal control system

The revision of corporate law makes it obligatory to determine basic policies for the internal control system structure, to have the board of directors make decisions on them, and to record the summaries in business reports. Moreover, legal revisions to the Securities and Exchange Act are underway that will oblige companies submitting securities reports to introduce internal control evaluations relating to financial reports. To respond to these legal requirements, we have

established a specialist organization (the Internal Control System Committee) under the Business Quality Management Department.

(f) Matters regarding the parent company

(1) Details of the parent company

Name	Status	Voting stock ownership (%)	Stock exchanges listing parent company shares
JAPAN AIRLINES CORPORATION	Parent company	51.7 (0.2)	Tokyo Stock Exchange, 1 st section Osaka Securities Exchange, 1 st section Nagoya Securities Exchange, 1 st section

Notes: The figure in parentheses showing the voting rights ratio indicates the indirect ratio.

(2) The parent company's corporate group status as a listed company, and its relationship with other listed companies

JALUX's parent company is Japan Airlines Corporation, which possesses 51.7 percent of voting rights. JALUX has a transactional relationship (sales, business consulting, and other roles) with Japan Airlines Corporation, Japan Airlines International Co., Ltd, and other members of the JAL group as a core distribution and services company.

Concerning relations with each member of the JAL group, while JALUX remains an independently listed company, it maintains close relations with JAL group companies, especially Japan Airlines Corporation, and aims to create synergies through business development maximizing the management resources of the JAL group. As well as contributing greatly to the development of the JALUX group business, we are convinced that this relationship raises the corporate value of the JAL group as a whole.

With the aim of developing our business, we respond to JAL group (Japan Airlines International Co., Ltd.) requests, and accept personnel dispatched from JAL, especially those possessing unique aviation-related expertise. The composition of management — transferees, JALUX alumni, and external directors — guarantees our independence. Furthermore, there is no relationship of debt guarantee or warranty from the parent company.

Moreover, whenever JALUX uses trademarks and sales channels owned by the JAL group, we obtain permission and pay the appropriate price.

Belonging to the JAL group and having JAL group customers restricts business developments that run counter to the JAL group corporate philosophy of pursuing safety and quality. Additionally, any substantial changes occurring in the JAL brand's reliability, the airline industry, or passenger number trends could impact the JALUX group's results. (Please refer to "Operating Results and Financial Status," "(c) Business and other risks," p.13-15).

(3) Transactions with parent and other companies

For transactions with parent and other companies, please refer to "Operating Results and Financial Status," "(c) Business and other risks," p.13-15.

Operating Results and Financial Status

(a) Operating Results

Overall Results in the Current Interim

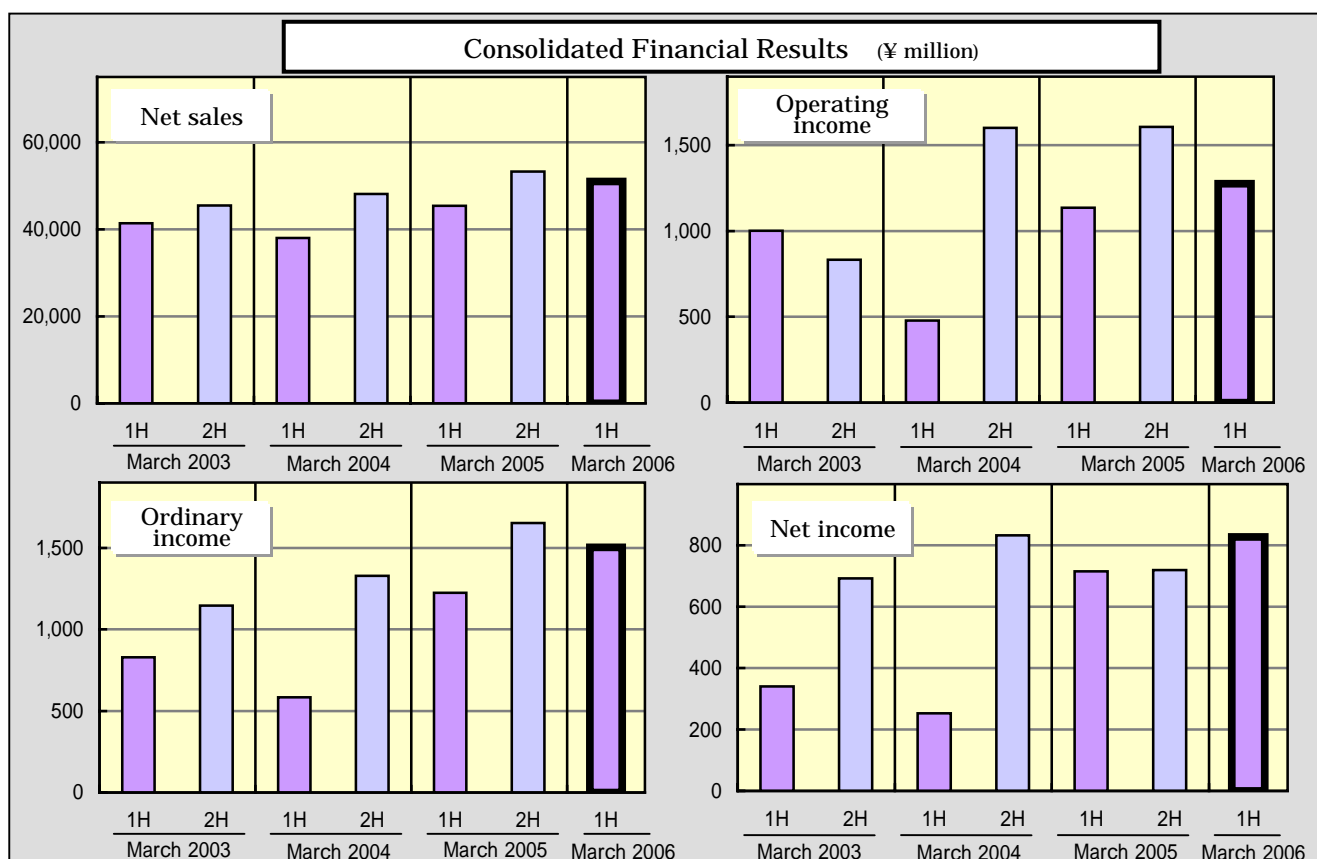
The general consumer-oriented business environment surrounding our company has produced generally good results in each of the aviation, lifestyle, and customer service segments during the current interim.

In the aviation-related business, in particular, we have seen good results in the aircraft parts storage and supply business, used aircraft sales, targeted for expansion in the mid-term business plan.

The import and sale of agricultural and marine products led to good results in the lifestyle services business, while real estate and insurance contributed to a strong showing in the customer services business.

As a result of these factors, net sales reached 50,943 million yen, exceeding those for the previous interim. Measures to curtail the rise in sales, general and administrative expenses led to an operating income of 1,276 million yen and ordinary income of 1,504 million yen, with both figures exceeding those for the previous interim. Even allowing for special losses and income taxes, net income for the current interim amounted to 827 million yen, exceeding the figure for the previous interim and marking the second successive interim of optimum profits.

Operating Results (¥ million)	Previous interim (Apr. 1, 2004- Sep. 30, 2004)	Current interim (Apr. 1, 2005- Sep. 30, 2004)	Change (%)	Increase/ Decrease
Net sales	45,375	50,943	112.3	5,568
Operating income	1,135	1,276	112.4	140
Ordinary income	1,225	1,504	122.8	279
Net income	715	827	115.6	111



Performance by Segment in the Current Interim

The situation for each segment is shown as follows. Numerical values for each line of business show inter-segment net sales, transfers, and non-allocatable operating expenses prior to adjustment.

1) Aviation-related business

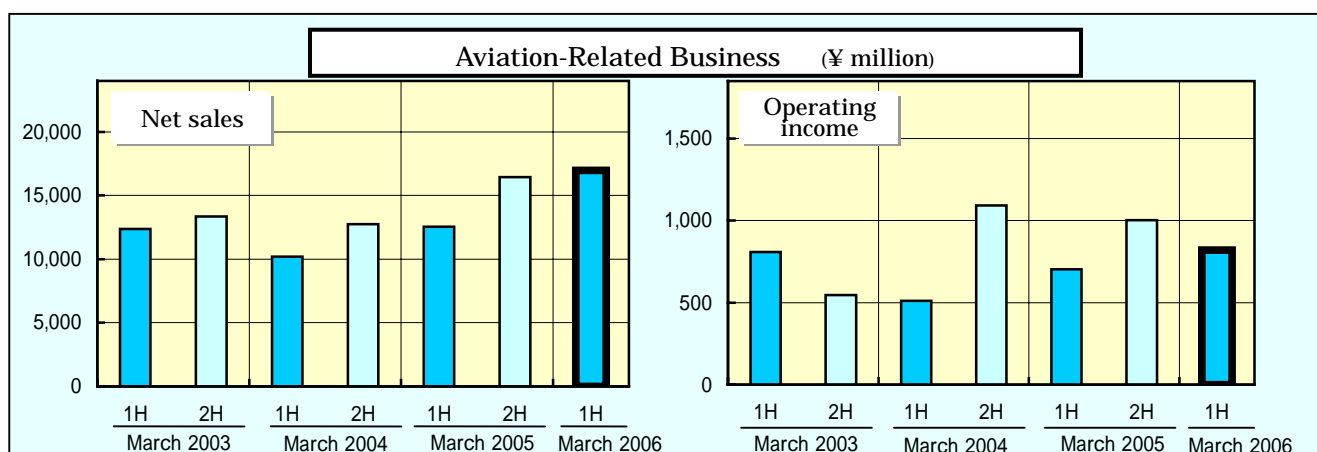
In the aerospace, fuel, and machinery and materials sector, good results from the aircraft engine parts storage and supply business* (newly launched in the previous period) and from used aircraft and engine sales greatly contributed to higher profits.

The in-flight services sector saw good performances from the textiles and uniform procurement businesses and the cleaning business, and also saw an expansion of new uniform orders from general companies.

As a result of these factors, net sales reached 16,985 million yen and operating income reached 821 million yen, with both figures exceeding those for the previous interim.

*Storage of imported parts essential to the repair of aircraft engines (storage and quality control), and a supply system for timely delivery to domestic heavy industry.

Aviation-related business (¥ million)	Previous interim (Apr. 1, 2004- Sep. 30, 2004)	Previous interim (Apr. 1, 2005- Sep. 30, 2005)	Change (%)	Increase/Decrease
Net sales	12,535	16,985	135.5	4,449
Operating income	703	821	116.9	118



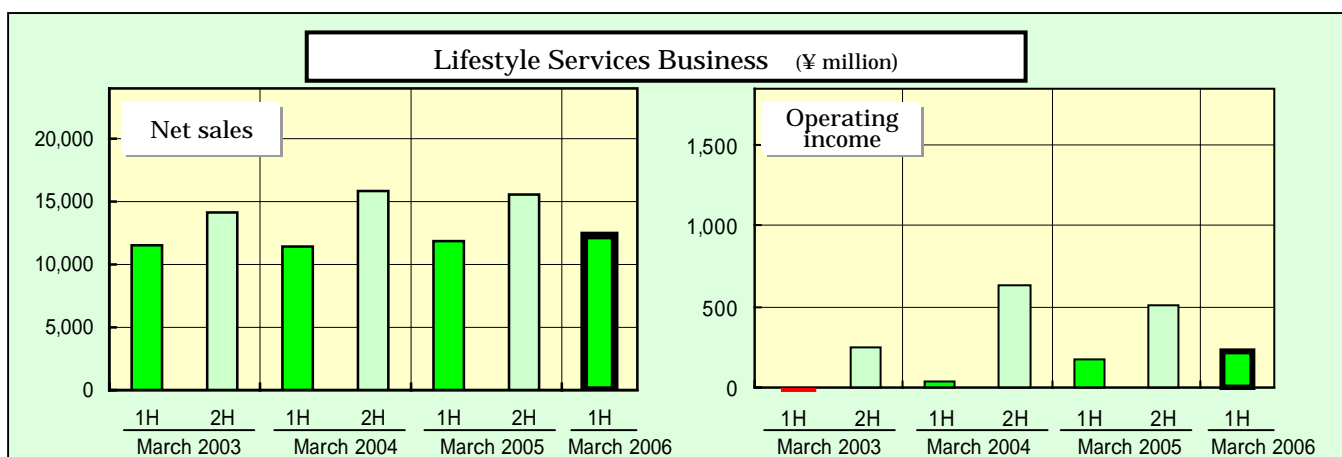
2) Lifestyle services business

The Gourmet First Class food product catalog contributed to a steady rise in revenues in the catalog sales (including JAL SHOP and JAL World Shopping Club) and general merchandise sector.

In the food and beverage sector, profits continued to rise from the import and sale of frozen marine products and vegetables and fruits as a result of the expansion of the product line and successful value-added sales. In the processed foods area, JAL SELECTION De Sky Series of original JALUX products performed well. These included "Sky Time Yuzu," ("Sky Time Citron") launched in the previous accounting year, the freeze-dried food "Miso shiru de Sky," (Miso soup) launched in June 2005. In-flight sales of food and wine also performed well.

As a result of these factors, net sales reached 12,291 million yen and operating income 220 million yen, with both figures exceeding those for the previous interim.

Lifestyle services business (¥ million)	Previous interim (Apr. 1, 2004- Sep. 30, 2004)	Previous interim (Apr. 1, 2005- Sep. 30, 2005)	Change (%)	Increase/Decrease
Net sales	11,858	12,291	103.7	433
Operating income	178	220	123.2	41



3) Customer services business

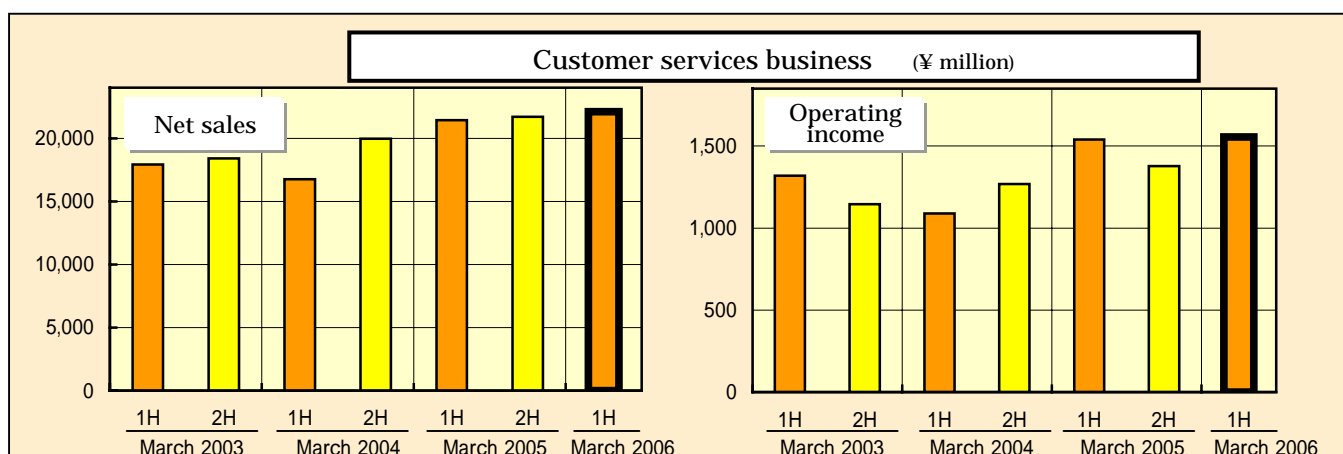
In the media and life design sector, real estate earnings rose from agency, management, subleasing, and advertising in specialist media through the real estate news magazine "Link." In the insurance and FP area, we aimed to raise earnings potential in the growing insurance demand for passengers travelling abroad (on-line contracts). Sales support for the JAL Vacation Ownership System,* launched the previous accounting year, also produced good results.

At domestic airports, BLUE SKY shops generally performed well. JAL-DFS shops at Narita's New Tokyo International Airport also put in a strong showing, thanks in part to the opening of the MONTBLANC brand shop in December 2004, and relocation and increased floor-space for the BVLGARI brand shops.

As a result of these factors, net sales reached 22,118 million yen and operating income reached 1,555 million yen. Both figures were higher than those for the previous interim.

* A property timeshare system selling property rights in Hawaii and other resorts on a weekly unit basis.

Customer services business (¥ million)	Previous interim (Apr. 1, 2004- Sep. 30, 2004)	Previous interim (Apr. 1, 2005- Sep. 30, 2005)	Change (%)	Increase/Decrease
Net sales	21,438	22,118	103.2	680
Operating income	1,540	1,555	101.0	14



Operating Results Outlook for the Full Year

Although the business environment for the current interim period has generally been strong, we predict a transition to a gentler upward trend.

For aviation-related business, we aim to expand our new customer base through growth of the aircraft parts storage and supply businesses, raising added value through dealing in PMAs*, which demonstrate high cost-performance. At the same time we aim to strengthen market share and earnings potential outside the JAL group.

In the lifestyle creation area centered on lifestyle-related and customer services, we aim to

enhance business efficiency and earnings potential, especially in the retail business (direct mail and airport shops) sector.

To improve enterprise value in the mid- to long-term, we are developing high-quality businesses (products and services) contributing to enhancing lifestyles and the community in the three areas of environment, culture, and welfare, which we have identified as key new areas. In the environment field, we will undertake reforestation and other measures. In the culture field, we will strengthen promotion of a set of China travelogue DVDs titled “The Great China,” which was developed from last year and then launched in June 2005. In the welfare field, we will begin dealing in a new resort property on the island of Phuket in Thailand under the JAL Vacation Ownership System in December 2005, and we are endeavouring to further expand the care business.

Meanwhile, overseas, we are looking at the prospect of establishing a local subsidiary in Shanghai by the end of this accounting year, and promoting new business vis-à-vis and within China.

From these factors, we predict increases in full-year revenues and profit in accordance with initial projections, and remain firmly on course to achieve the mid-term business targets.

* Parts Manufacturer Approval awarded by the US Federal Aviation Administration for good-quality aircraft parts.

Operating Results (¥ million)	Previous period (year ended March 2005)	Current period (year ending March 2006)	Change (%)	Increase/ Decrease
Net sales	98,622	103,000	104.4	4,377
Ordinary income	2,878	3,200	111.2	321
Net income	1,435	1,600	111.4	164

(b) Financial Position

Cash and cash equivalents at the end of the interim under review rose 637 million yen, or 12.4 percent, over the previous interim to reach 5,772 million yen. This rise came from a firm market for operating transactions as well as minimized acquisition of fixed assets and reduction of interest-bearing liabilities.

The content of the cash flows for the current period is as follows.

Operating activities

The interim under review saw a rise in revenues due to a steady growth of income from operating transactions, collection of receivables from large-scale operations at the end of the previous accounting period, and a rise in notes and accounts payable through an increase in transactions relating to aircraft parts.

As a result, funds obtained from operating activities in the interim under review rose 1,133 million yen, or 80.1 percent, over the previous interim to reach 2,548 million yen.

Investing activities

In the current interim, JALUX obtained a repayment of deposits accompanying a revision of the system for the repayment of rental deposits that had been laid out for the lease of some airport buildings. We also acquired intangible fixed assets accompanying the construction of a mainframe system, while our subsidiaries acquired tangible fixed assets—a domestic subsidiary acquired them through shop remodelling, and a US consolidated subsidiary through the acquisition of training aircraft. As a result of these activities, funds used in investments rose 607 million yen over the previous interim to total 599 million yen (the previous interim saw a positive cash inflow of 7 million yen).

Financing activities

During the interim under review as we did in the previous interim, JALUX aimed at a great reduction of the interest bearing liabilities through repayment of long- and short-term debts. Meanwhile, our US subsidiary has borrowed in order to purchase training aircraft. As a result, funds used in financing activities fell 263 million yen, or 16.6 percent, over the figure for the previous interim period to reach 1,319 million yen.

Cash flow index trends for our corporate group are outlined below.

	Period ended March 2003		Period ended March 2004		Period ended March 2005		Period ending March 2006
	Interim	Full term	Interim	Full term	Interim	Full term	Interim
Shareholders' equity ratio (%)	28.6	28.4	29.6	29.3	31.8	33.0	35.0
Shareholders' equity at market value (%)	21.5	23.2	43.5	82.2	77.9	71.5	72.3
Debt repayment (yrs)		29.4	10.3	4.7	4.0	2.9	1.9
Interest coverage ratio		2.9	17.3	18.4	43.5	29.9	63.9

Shareholders' equity ratio: Shareholders' equity/total assets

Shareholders' equity at market value: market capitalization of stock/total assets

Debt repayment (yrs): Interest-bearing debt/operating cash flow

Interest coverage ratio: Operating cash flow/interest payment

Notes:

1. All financial values are calculated on a consolidated basis.
2. "Market capitalization of stock" is calculated as stock price value at end of period × total number of shares issued at end of period.
3. "Operating cash flow" uses cash flow from operating activities reported on the consolidated Cash Flow Financial Report. "Interest-bearing debts" target all debts where interest is payable from among the debts reported on the Consolidated Balance Sheet. "Interest payment" uses interest payment figures recorded on the consolidated Cash Flow Financial Report.

(c) Business and other risks

Risk factors that could affect the business development of the JALUX group are listed below.

JALUX pays close attention to the causes of these risks, and endeavours either to avoid their occurrence or to respond in the optimum way if they should occur.

(1) Relations with the JAL (Japan Airlines) group

JALUX is a subsidiary of Japan Airlines Corporation, and also undertakes product sales and consulting work for Japan Airlines Corporation, Japan Airlines International Co., Ltd. and other JAL group members.

The figures below show the JALUX group sales amounts and percentage change (including consolidated net sales) for the period ended March 2005. Any significant change in the relationship with the JAL group happening in the future may impact the performance of the JALUX group.

	Interim of Year Ending Mar. 2006	
	Amount (million yen)	Change (%)
Japan Airlines Corporation	14	0.0
Japan Airlines International Co., Ltd.	7,977	15.7
Other JAL group companies	6,503	12.8
Total	14,495	28.5

Note: The above figures do not include consumption tax.

(2) The impact of airline passenger numbers

Any substantial change in airline passenger numbers may impact the performance of the JALUX group. The JALUX group businesses most affected, either directly or indirectly, by changes in airline passenger numbers are as follows.

- 1) Most affected by international passenger numbers: On board sales products and food business, JAL-DFS duty-free shop at Narita's New Tokyo International Airport, JAL Plaza Igrisuya (London gift shop), Plaza Wien Jalux (Vienna gift shop)
- 2) Most affected by domestic passenger numbers: In-flight mail-order business, BLUE SKY domestic airport shops

The net sales for these businesses reach around 40 percent of consolidated net sales. In recent years, the terrorist attack on the United States, the Iraq war and SARS caused international passenger numbers to fall in the fiscal years ended March 2002 and March 2004.

(3) Relationship of trust between the corporate brand and the customer

As well as effectively exploiting the JALUX brand and the JAL brand, business develops on a basis of customer trust built on the quality of products and services. Any change taking place in this trust and popularity, or any major problem occurring with the quality of our products and services leading to loss of trust could impact the performance of the JALUX group.

On the listing on the first section of the Tokyo Stock Exchange in April 2004, JALUX established a Business Quality Improvement Committee. We are taking initiatives to further improve the quality of our overall business activities, and to develop as a socially aware "good corporate citizen" on a basis of legality and fairness.

(4) Entering new business areas

The mid-term business plan predicts sustained growth for the JALUX group from the cultivation of new mainstay businesses. We also plan new business development in the three areas of the environment, culture, and welfare based on our corporate philosophy.

We are already investing in the establishment of a care business operating company and the creation of image content with "The Great China" travelogue. We made these investments after careful consideration, and are convinced that these businesses will contribute to the future profit growth of the JALUX group. We plan to continue making new investments in the environment, culture, and welfare areas. There is no guarantee, however, that we will achieve the results predicted in the plan.

(5) The Cecile and Belluna lawsuits

JALUX was named as the other party in a damages lawsuit by Cecile Co., Ltd. (headquarters in Takamatsu city, Kagawa prefecture) on October 8, 2004, and by Belluna Co., Ltd. (headquarters in Ageo city, Saitama prefecture) on March 18, 2005. The processes and details are as follows.

The catalog description of Retort Curry supplied by JALUX to both companies was deemed to violate the "Law for Preventing Unjustifiable Extra or Benefit and Misleading Representation." On July 13, 2004, the Fair Trade Commission issued an exclusion order to both companies. Both companies accepted the order. Details of the exclusion order were published in a national newspaper, and Cecile refunded money to its customers.

Cecile and Belluna launched damage lawsuits against us for costs of 142 million yen and 300 million yen respectively. Cecile asserted that JALUX, as the supplier of origin, was guilty of non-performance of obligation and unlawful acts. Belluna asserted that JALUX was guilty of non-performance of obligation.

JALUX judges that this lawsuit, which is currently in progress, has no foundation. Nevertheless, it may have an impact on our business performance.

Consolidated financial statements

1. Consolidated balance sheets

(thousand yen)

Account	End of previous interim (as of Sep. 30, 2004)		End of current interim (as of Sep. 30, 2005)		Change	End of previous accounting period (as of Mar. 31, 2005)	
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount	Amount	Composi- tion rate (%)
(Assets)							
Current assets							
1 . Cash and deposits	3,970,168		6,033,172			5,218,478	
2 . Notes and accounts receivable	10,114,383		9,671,451			11,013,960	
3 . Inventories	6,093,419		5,482,493			5,210,814	
4 . Deferred tax assets	389,706		405,002			424,203	
5 . Other	2,350,220		2,529,516			2,961,492	
Allowance for doubtful accounts	-30,325		-30,321			-33,777	
Total current assets	22,887,573	66.5	24,091,314	68.9	1,203,740	24,795,171	70.5
Fixed assets							
1 . Property, plant and equipment							
(1) Buildings and structures	4,435,401		4,430,098			4,260,217	
Accumulated depreciation	2,043,401	2,391,999	2,066,171	2,363,926		1,899,089	2,361,128
(2) Machinery and delivery equipment	559,030		291,872			549,354	
Accumulated depreciation	461,177	97,852	209,562	82,309		458,240	91,113
(3) Aircraft	2,040,293		2,380,295			2,241,948	
Accumulated depreciation	697,704	1,342,588	889,114	1,491,180		749,274	1,492,674
(4) Other	642,336		730,287			697,467	
Accumulated depreciation	412,949	229,387	416,225	314,061		378,339	319,128
(5) Land		447,201		399,574			388,772
(6) Construction in progress		35,239		147,827			19,188
Total property, plant and equipment	4,544,269	13.2	4,798,880	13.7	254,611	4,672,005	13.3
2 . Intangible fixed assets							
(1) Software	413,895		630,680			454,253	
(2) Other	73,605		34,275			37,584	
Total intangible fixed assets	487,501	1.4	664,955	1.9	177,454	491,838	1.4
3 . Investments and other assets							
(1) Investment securities	2,122,425		2,266,194			2,181,973	
(2) Investment affiliated	1,374,477		493,207			499,693	
(3) Long-term rental eposits	2,301,158		1,943,305			1,793,931	
(4) Deferred tax assets	331,396		367,903			382,316	
(5) Other	548,292		476,186			503,651	
Allowance for doubtful accounts	-195,339		-153,377			-155,885	
Total investments and other assets	6,482,410	18.9	5,393,420	15.5	-1,088,989	5,205,680	14.8
Total fixed assets	11,514,180	33.5	10,857,257	31.1	-656,923	10,369,524	29.5
Total assets	34,401,754	100.0	34,948,571	100.0	546,817	35,164,696	100.0

(thousand yen)

Account	End of previous interim (as of Sep. 30, 2004)		End of current interim (as of Sep. 30, 2005)		Change	End of previous accounting period (as of Mar. 31, 2005)	
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount	Amount	Composi- tion rate (%)
(Liabilities)							
Current liabilities							
1 . Notes and accounts payable	12,214,767		11,319,148			10,863,128	
2 . Short-term debt	2,887,915		2,461,967			3,357,608	
3 . Accrued corporate tax, etc.	667,133		584,342			805,075	
4 . Accrued expenses	2,192,529		2,080,975			2,141,546	
5 . Other	1,387,908		2,108,422			2,374,229	
Total current liabilities	19,350,254	56.3	18,554,856	53.1	-795,397	19,541,588	55.6
Fixed liabilities							
1 . Long-term debt	2,730,514		2,447,755			2,458,666	
2 . Directors' retirement allowances	277,338		346,996			329,100	
3 . Addition to reserve for compensation to retired directors	146,812		160,055			174,950	
4 . Deferred tax liabilities	-		4,646			-	
5 . Other	294,496		412,494			310,257	
Total fixed liabilities	3,449,162	10.0	3,371,948	9.7	-77,213	3,272,975	9.3
Total liabilities	22,799,416	66.3	21,926,805	62.8	-872,610	22,814,563	64.9
(Minority interests)							
Minority interests	667,300	1.9	782,546	2.2	115,246	733,930	2.1
(Shareholders' equity)							
Common stock	2,558,550	7.4	2,558,550	7.3	-	2,558,550	7.3
Paid-in capital	711,296	2.1	711,296	2.0	-	711,296	2.0
Retained earnings	7,889,197	22.9	9,130,717	26.1	1,241,519	8,608,902	24.5
Unrealized gains on securities	3,105	0.0	15,084	0.0	11,978	10,413	0.0
Conversion adjustment	-218,361	-0.6	-167,415	-0.4	50,946	-263,946	-0.8
Treasury stock	-8,751	-0.0	-9,013	-0.0	-262	-9,013	-0.0
Total shareholders' equity	10,935,037	31.8	12,239,219	35.0	1,304,182	11,616,202	33.0
Total liabilities, minority interests and shareholders' equity	34,401,754	100.0	34,948,571	100.0	546,817	35,164,696	100.0

2. Consolidated income statements

(thousand yen)

Account	Previous interim (Apr. 1, 2004 to Sep. 30, 2004)		Current interim (Apr. 1, 2005 to Sep. 30, 2005)		Change	Previous accounting year (Apr. 1, 2004 to Mar. 31, 2005)				
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)		Amount	Composi- tion rate (%)			
Net sales		45,375,267	100.0		50,943,591	100.0	5,568,323		98,622,995	100.0
Cost of sales		34,278,909	75.5		39,508,040	77.5	5,229,130		75,549,297	76.6
Gross profit		11,096,358	24.5		11,435,550	22.5	339,192		23,073,698	23.4
Selling, general and administrative expenses										
1 . Packing and transportation expenses	501,083			501,969				1,075,230		
2 . Payroll allowance	3,845,735			3,953,836				7,709,107		
3 . Employee retirement expenses	152,540			116,532				300,254		
4 . Rent expenses	2,280,224			2,328,610				4,532,793		
5 . Depreciation and amortization	176,452			188,666				378,564		
6 . Addition to reserve for compensation to retired directors	26,043			26,827				54,181		
7 . Other	2,979,155	9,961,235	22.0	3,043,025	10,159,468	20.0	198,232	6,281,897	20,332,031	20.6
Operating income		1,135,122	2.5		1,276,082	2.5	140,959		2,741,667	2.8
Non-Operating income										
1 . Interest income	11,239			5,444				42,343		
2 . Dividends	11,549			14,106				38,274		
3 . Exchange gain	14,509			130,034				-		
4 . Group insurance dividends	5,239			15,007				5,239		
5 . Equity in earnings of affiliates	40,602			58,251				78,921		
6 . Other	62,479	145,619	0.3	65,390	288,235	0.6	142,616	185,016	349,795	0.3
Non-Operating expenses										
1 . Interest paid	33,458			37,895				69,082		
2 . Exchange loss	-			-				110,201		
3 . Other	21,994	55,453	0.1	21,587	59,482	0.1	4,029	34,171	213,455	0.2
Ordinary income		1,225,288	2.7		1,504,834	3.0	279,546		2,878,007	2.9

(thousand yen)

Account	Previous interim (Apr. 1, 2004 to Sep. 30, 2004)		Current interim (Apr. 1, 2005 to Sep. 30, 2005)		Change	Previous accounting year (Apr. 1, 2004 to Mar. 31, 2005)		
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)		Amount	Amount	Composi- tion rate (%)
Extraordinary profit								
1 . Gain on sales of fixed assets	246,562		11,265			237,385		
2 . Reversal of allowance for doubtful receivables	1,735		2,131			-		
3 . Gain on sales of investment securities	15,995		-			15,995		
4 . Other	5,648	269,942	-	13,396	0.0	-256,545	-	253,381
Extraordinary loss								
1 . Fixed asset disposal losses	23,335		4,898			156,139		
2 . Fixed asset impairment losses	-		-			123,340		
3 . Other	-	23,335	-	4,898	0.0	-18,437	800	280,279
Net income before adjustment of taxes, etc.		1,471,895		1,513,333	3.0	41,438		2,851,108
Corporate income taxes, resident taxes, etc.	665,401		559,826			1,349,346		
Deferred income taxes	12,220	677,622	39,094	598,920	1.2	-78,701	-78,800	1,270,546
Minority interest in income of consolidated subsidiaries		78,307		86,830	0.2	8,523		144,891
Net income		715,966		827,582	1.6	111,615		1,435,670

3. Consolidated statement of shareholders' equity

(thousand yen)

Account	End of previous interim (as of Sep. 30, 2004)		End of current interim (as of Sep. 30, 2005)		Change	End of previous accounting period (as of Mar. 31, 2005)	
	Amount		Amount		Amount	Amount	
(Paid-in capital)							
At beginning of period		711,260		711,296	36		711,260
Increase							
1 . Treasury stocks disposal margin	36	36	-	-	-36	36	36
Paid-in capital at end of period		711,296		711,296	-		711,296
(Retained earnings)							
At beginning of period		7,448,233		8,608,902	1,160,669		7,448,233
Increase							
1 . Net income	715,966	715,966	827,582	827,582	111,615	1,435,670	1,435,670
Decrease							
1 . Cash dividend paid	255,439		280,974			255,439	
2 . Directors' bonuses paid	19,562	275,001	24,792	305,766	30,765	19,562	275,001
Retained earnings at end of period		7,889,197		9,130,717	1,241,519		8,608,902

4. Consolidated cash flow statement

(thousand yen)

	Previous interim (Apr. 1, 2004 to Sep. 30, 2004)	Current interim (Apr. 1, 2005 to Sep. 30, 2005)	Change	Previous accounting year (Apr. 1, 2004 to Mar. 31, 2005)
Account	Amount	Amount	Amount	Amount
Cash flows from operating activities				
1 . Net income before adjustment of taxes, etc.	1,471,895	1,513,333	41,438	2,851,108
2 . Depreciation and amortization	303,009	336,131	33,122	634,346
3 . Increase (decrease) in doubtful debt reserve	-12,679	-6,588	6,090	-9,234
4 . Increase (decrease) in addition to reserve for compensation to retired directors	7,359	-14,895	-22,255	35,497
5 . Increase (decrease) in employee retirement expenses	65,136	17,895	-47,240	116,898
6 . Interest and dividends received	-22,788	-19,551	3,237	-80,618
7 . Interest paid	33,458	37,895	4,436	69,082
8 . Exchange gain or loss	-1,839	-14,283	-12,444	-3,192
9 . Equity in earnings of affiliates	-40,602	-58,251	-17,649	-78,921
10 . Loss (gain) on sales and disposal of property, plant, and equipment	-223,226	-6,367	216,859	-81,246
11 . Fixed asset impairment losses	-	-	-	123,340
12 . Gain on sales of investment securities	-15,995	-	15,995	-15,995
13 . Decrease in accounts receivable	1,899,098	1,486,675	-412,422	979,608
14 . Increase in inventories	-971,193	-227,414	743,778	-101,030
15 . Increase (decrease) in accounts payable	-111,003	410,162	521,165	-1,445,848
16 . Directors' bonuses	-20,570	-26,100	-5,530	-20,570
17 . Other	-266,433	-125,909	140,524	260,648
Subtotal	2,093,625	3,302,733	1,209,107	3,233,873
18 . Interest and dividends received	37,216	33,911	-3,305	94,819
19 . Interest paid	-32,542	-39,883	-7,341	-66,912
20 . Corporate taxes paid	-683,573	-748,326	-64,753	-1,260,408
Net cash provided by operating activities	1,414,726	2,548,434	1,133,708	2,001,372

(thousand yen)

	Previous interim (Apr. 1, 2004 to Sep. 30, 2004)	Current interim (Apr. 1, 2005 to Sep. 30, 2005)	Change	Previous accounting year (Apr. 1, 2004 to Mar. 31, 2005)
Account	Amount	Amount	Amount	Amount
Cash flows from investing activities				
1 . Payments for acquisition of property, plant and equipment	-191,355	-495,300	-303,945	-699,801
2 . Proceeds from sales of property, plant and equipment	250,489	11,265	-239,223	243,822
3 . Payments for acquisition of intangible fixed assets	-32,206	-241,853	-209,647	-119,932
4 . Payments for acquisition of investment in subsidiaries and affiliates	-50,000	-30,000	20,000	-50,000
5 . Payments for acquisition of securities and investment securities	-	-52,209	-52,209	-51,264
6 . Proceeds from sales of securities and investment securities	28,111	50,184	22,072	78,376
7 . Expenses for paid-in capital	-25,000	-	25,000	-50,000
8 . Expense for loans	-6,980	-300	6,680	-121,685
9 . Proceeds from loan collection	8,139	433,372	425,233	612,942
10 . Payments for term deposits	-	-244,932	-244,932	-
11 . Refund from term deposits	-	14,202	14,202	272
12 . Expense for increase in long-term rental deposits	-25,451	-67,103	-41,652	-100,934
13 . Income from decrease in long-term rental deposits	95,815	22,471	-73,344	700,135
14 . Other	-43,853	686	44,540	-56,009
Net cash provided by (used for) investing activities	7,709	-599,516	-607,226	385,922
Cash flows from financing activities				
1 . Net increase (decrease) in short-term debt	-865,058	-354,611	510,446	-258,160
2 . Proceeds from increase in long-term debt	216,860	-	-216,860	468,900
3 . Payments for long-term debt	-642,344	-650,253	-7,908	-1,288,953
4 . Dividends paid	-255,439	-277,257	-21,817	-255,439
5 . Dividends paid to minority shareholders	-36,000	-36,812	-812	-36,000
6 . Other	-1,096	-534	562	-1,868
Net cash provided by (used for) financing activities	-1,583,078	-1,319,468	263,610	-1,371,520

(thousand yen)

	Previous interim (Apr. 1, 2004 to Sep. 30, 2004)	Current interim (Apr. 1, 2005 to Sep. 30, 2005)	Change	Previous accounting year (Apr. 1, 2004 to Mar. 31, 2005)
Account	Amount	Amount	Amount	Amount
Conversion effect on cash and cash equivalents	-43	8,062	8,106	12,875
Net increase in cash and cash equivalents	-160,685	637,512	798,197	1,028,649
Cash and cash equivalents at beginning of period	4,106,222	5,134,871	1,028,649	4,106,222
Cash and cash equivalents at end of period	3,945,536	5,772,384	1,826,847	5,134,871

Consolidated Segment Data

By business category

Previous interim (Apr. 1, 2004 to Sep. 30, 2004)						
(thousand yen)						
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
Net sales						
1 . External customers	12,115,922	11,823,274	21,436,070	45,375,267	-	45,375,267
2 . Inter-segment internal sales / transfers	419,607	34,908	2,144	456,660	(456,660)	-
Total	12,535,530	11,858,183	21,438,214	45,831,928	(456,660)	45,375,267
Operating expenses	11,832,377	11,679,225	19,897,420	43,409,023	831,121	44,240,145
Operating income	703,152	178,957	1,540,794	2,422,904	(1,287,782)	1,135,122

Notes: 1. Method of business classification

Businesses are classified with consideration for sales targets and methods, products supplied, and profit/loss aggregates.

2. Main products and sales for each business

- (1) Aviation-related ----- Aircraft, aircraft components, aircraft fuel, machinery, equipment & materials, cabin service supplies, in-flight sales, and textile supplies (consulting service and supporting work, wholesale business, etc.)
- (2) Lifestyle services ----- Jewelry & general merchandise, agricultural & marine products, processed foods, food gift items, and wine & liquor (catalog sales, Web sites, wholesale business, etc.)
- (3) Customer services ----- Creative design & printing, life design services (insurance/FP, real estate), Blue Sky airport shops, and JAL-DFS duty-free shops

3. For operating expenses in the current accounting period, non-allocatable operating expense included in the elimination or unallocated amount totalled 1,283 million yen. The main reason was costs relating to the administrative division of the General Affairs department at the parent company's headquarters.

Current interim (Apr. 1, 2005 to Sep. 30, 2005)						
(thousand yen)						
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
Net sales						
1 . External customers	16,567,278	12,257,835	22,118,477	50,943,591	-	50,943,591
2 . Inter-segment internal sales / transfers	418,093	33,956	-	452,049	(452,049)	-
Total	16,985,371	12,291,791	22,118,477	51,395,640	(452,049)	50,943,591
Operating expenses	16,163,589	12,071,354	20,562,896	48,797,841	869,667	49,667,508
Operating income	821,782	220,436	1,555,580	2,597,799	(1,321,717)	1,276,082

Notes: 1. Method of business classification

Businesses are classified with consideration for sales targets and methods, products supplied, and profit/loss aggregates.

2. Main products and sales for each business

- (1) Aviation-related ----- Aircraft, aircraft components, aircraft fuel, machinery, equipment & materials, cabin service supplies, in-flight sales, and textile supplies (consulting service and supporting work, wholesale business, etc.)

- (2) Lifestyle services ----- Jewelry & general merchandise, agricultural & marine products, processed foods, food gift items, and wine & liquor (catalog sales, Web sites, wholesale business, etc.)
- (3) Customer services ----- Creative design & printing, life design services (insurance/FP, real estate), Blue Sky airport shops, and JAL-DFS duty-free shops

3. For operating expenses in the current accounting period, non-allocatable operating expense included in the elimination or unallocated amount totalled 1,319 million yen. The main reason was costs relating to the administrative division of the General Affairs department at the parent company's headquarters.

Previous accounting year (April 1, 2004 to March 31, 2005)						
(thousand yen)						
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
Net sales						
1 . External customers	28,141,383	27,331,712	43,149,899	98,622,995	-	98,622,995
2 . Inter-segment internal sales / 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

Notes: 1. Method of business classification

Businesses are classified with consideration for sales targets and methods, products supplied, and profit/loss aggregates.

2. Main products and sales for each business

- (1) Aviation-related ----- Aircraft, aircraft components, aircraft fuel, machinery, equipment & materials, cabin service supplies, in-flight sales, and textile supplies (consulting service and supporting work, wholesale business, etc.)
- (2) Lifestyle services ----- Jewelry & general merchandise, agricultural & marine products, processed foods, food gift items, and wine & liquor (catalog sales, Web sites, wholesale business, etc.)
- (3) Customer services ----- Creative design & printing, life design services (insurance/FP, real estate), Blue Sky airport shops, and JAL-DFS duty-free shops

3. For operating expenses in the current accounting period, non-allocatable operating expense included in the elimination or unallocated amount totalled 2,568 million yen. The main reason was costs relating to the administrative division of the General Affairs department at the parent company's headquarters.

By geographical category

	Previous interim (Apr. 1, 2004 to Sep. 30, 2004)					(thousand yen)
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
Net sales						
1 . External customers	44,145,681	682,646	546,939	45,375,267	-	45,375,267
2 . Inter-segment internal sales / transfers	110,927	3,485,139	831,872	4,427,939	(4,427,939)	-
Total	44,256,609	4,167,786	1,378,812	49,803,207	(4,427,939)	45,375,267
Operating expenses	43,044,322	4,120,573	1,487,121	48,652,017	(4,411,872)	44,240,145
Operating income	1,212,286	47,212	(108,308)	1,151,190	(16,067)	1,135,122

- Notes: 1. National and regional classifications depend on geographical proximity.
2. The breakdown of regions outside Japan is as follows:
(1) North America: United States
(2) Other regions: UK, Thailand

	Current interim (Apr. 1 2005 to Sep. 30, 2005)					(thousand yen)
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
Net sales						
1 . External customers	49,038,684	1,010,004	894,902	50,943,591	-	50,943,591
2 . Inter-segment internal sales / transfers	48,876	4,978,312	372,009	5,399,197	(5,399,197)	-
Total	49,087,560	5,988,316	1,266,911	56,342,788	(5,399,197)	50,943,591
Operating expenses	47,744,042	5,866,853	1,384,856	54,995,752	(5,328,243)	49,667,508
Operating income	1,343,517	121,463	(117,944)	1,347,036	(70,954)	1,276,082

- Notes: 1. National and regional classifications depend on geographical proximity.
2. The breakdown of regions outside Japan is as follows:
(1) North America: United States
(2) Other regions: UK, Thailand

	Previous accounting year (April 1, 2004 to March 31, 2005)					(thousand yen)
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
Net sales						
1 . External customers	95,131,871	1,824,609	1,666,515	98,622,995	-	98,622,995
2 . Inter-segment internal sales / 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	2,646,726	132,988	(179,239)	2,600,475	141,191	2,741,667

- Notes: 1. National and regional classifications depend on geographical proximity.
2. The breakdown of regions outside Japan is as follows:
(1) North America: United States
(2) Other regions: UK, Thailand

Overseas net sales

Information is omitted here since overseas net sales make up less than 10 percent of consolidated net sales for the previous interim (April 1, 2004 to September 30, 2004), the current interim (April 1, 2005 to September 30, 2005), and the previous accounting year (April 1, 2004 to March 31, 2005).

Per share information

Previous interim (Apr. 1, 2004 to Sep. 30, 2004)	Current interim (Apr. 1, 2005 to Sep. 30, 2005)	Previous accounting year (April 1, 2004 to March 31, 2005)
Book value per share ¥856.91	Book value per share ¥959.12	Book value per share ¥908.11
Earnings per share ¥56.42	Earnings per share ¥65.26	Earnings per share ¥110.62
Concerning per-share net income for the current period after dilution, potential shares do not exist and so are not recorded.	Concerning per-share net income for the current period after dilution, potential shares do not exist and so are not recorded.	Concerning per-share net income for the current period after dilution, potential shares do not exist and so are not recorded.

Note: The basis for calculating per-share net income is shown below.

	Previous interim (Apr. 1, 2004 to Sep. 30, 2004)	Current interim (Apr. 1, 2005 to Sep. 30, 2005)	Previous accounting year (April 1, 2004 to March 31, 2005)
Net income (thousand yen)	715,966	827,582	1,435,670
Sum not attributable to holders of shares of common stock (thousand yen)	-3,989	-5,165	24,006
(Sum of which paid out as employee bonuses for profit disposal)	(-3,989)	(-5,165)	(24,006)
Net income attributable to holders of shares of common stock (thousand yen)	719,955	832,747	1,411,664
Average number of outstanding shares (thousand yen)	12,761	12,760	12,761