

1 . The JALUX Group

The JALUX group consists of JALUX, eight 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

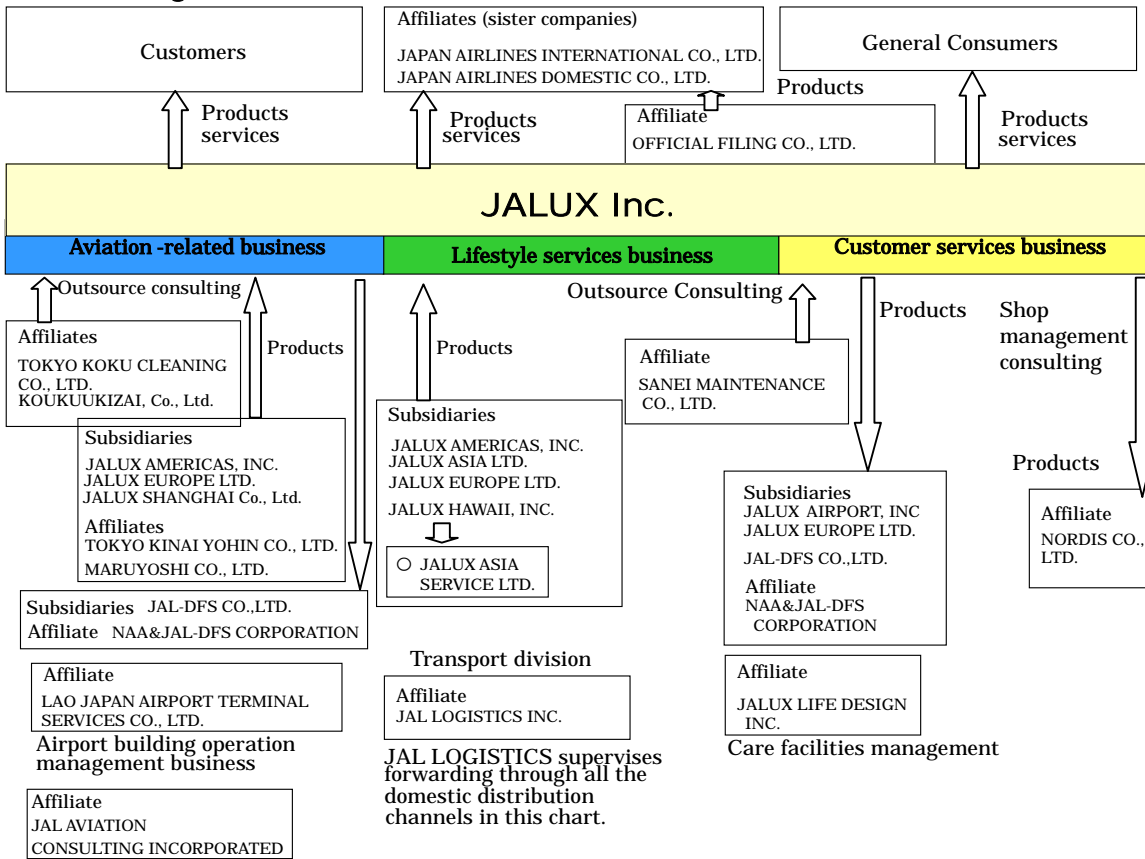
(3) Customer services business

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 Igitisuya (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. | Gift sales and trading |
| JALUX AMERICAS, INC. | Leasing and trading |
| JALUX ASIA LTD. | Trading |
| JAL-DFS CO.,LTD. | Duty-free sales shops |
| JALUX AIRPORT, INC. | Management consulting for shops, restaurants, and cafes. |

NON- CONSOLIDATED SUBSIDIARIES

- | | |
|--------------------------|---------|
| JALUX HAWAII, INC. | Trading |
| JALUX SHANGHAI Co., Ltd. | Trading |

AFFILIATES

- | | |
|--|---|
| TOKYO KOKU CLEANING CO., LTD. | Linen supplies and cleaning |
| TOKYO KINAI YOHIN CO., LTD. | Production of cabin equipment for aircraft, ships, and rolling stock, and production and repair of aircraft equipment |
| MARUYOSHI CO., LTD. | Manufacture and sales of bags, purses, fancy goods, footwear, and sports supplies. |
| JAL LOGISTICS INC. | Automobile transport handling, export-import customs clearance, warehousing |
| SANEI MAINTENANCE CO., LTD. | Building cleaning, facilities management, security |
| KOUKUUKIZAI, Co., Ltd. | Design and manufacture of special equipment for transport machines |
| NORDIS CO., LTD. | Parts repair and processing for airplane devices |
| OFFICIAL FILING CO.,LTD. | Liquor and souvenir sales |
| LAO JAPAN AIRPORT TERMINAL SERVICES CO.,LTD. | Consulting business dealing with passenger fares, freight fares, and arrival/departure times |
| JAL AVIATION CONSULTING INCORPORATED | Operation and management of the terminal buildings inside Vientiane Wattay International Airport |
| JALUX LIFE DESIGN INC. | Development planning data gathering and consulting business dealing with the aviation field. |
| NAA&JAL-DFS CORPLATION | Care facilities management |
| ---- | Duty-free sales shops |

----Affiliates accounted for by the equity method
 JALUX SHANGHAI Co., Ltd. was established on December 8, 2005
 NAA&JAL-DFS CORPLATION was established on July 1, 2005
 ○JALUX ASIA SERVICE LTD. was established on February 3, 2006

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)	Shinagawa-ku, Tokyo	100,000,000	Holding corporation for companies engaged in air transport services and related businesses	51.7 (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.	Shinagawa-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	27.2	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.

2 . 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 position concerning profit distribution

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

Looking back on the dividend paid out for the period ended March 2004, we added 4 yen to an 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 an ordinary dividend of 22 yen per share as profits rose. For the period ended March 2006, we plan to distribute a dividend of 24 yen per share. This will mark the sixth successive increase in dividends.

We are also working to strengthen our financial structure and management base, and we aim to return more income to the shareholders through future business expansion and increased profitability. In the mid-term, we will endeavor to meet shareholders’ expectations by establishing a payout ratio goal of 30% (non-consolidated basis).

(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 2009 (Consolidated)		
(million yen)	Results for period ended March 2006	Period ending March 2009 (plan)
Net sales	107,952	125,000
Ordinary income	3,212	5,000
Ratio of ordinary income to sales	3.0%	4.0%
Net income	1,689	2,700
ROE	13.6%	16.0%
ROA	4.6%	5.5%

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

In the mid- to long-term view, we aim to enhance customer satisfaction, increase corporate value, and sustaining growth. We also aim to realize our management positions and goals by practicing CSR (Corporate Social Responsibility) while efficiently promoting business strategy. Our basic strategy is to pursue profit expansion outside the JAL group as we strengthen and expand our customer base.

Moreover, in order to realize our corporate philosophy and management position while enhancing mid- to long-term profitability, we are driving to develop new business in the three growth areas of environment, culture, and public welfare with the aim of achieving continuous growth. In the mid-term, we aim to tackle each of these themes with the following business strategies and achieve each target.

B-to-C Strategy

1. Strengthen marketing power: Build accurate marketing and sales strategies through system consolidation and cultivating specialist knowledge
2. Strengthen quality control systems: Strengthen quality control and risk management and realign the group's product and function categories
3. Enhance management efficiency: Enhance efficiency by consolidating and integrating common functions in-house for thoroughgoing cost and information management

B-to-B Strategy

1. Strengthen marketing power: Build accurate marketing and sales strategies through system consolidation and cultivating specialist knowledge
2. Strengthen cooperation: Create integrative power and synergy by strengthening cooperation among in-house departments and with group companies
3. Use external resources: Complement expertise, boost speed, and create synergy through dynamic cooperation

New Business Strategies

In the area of environment and culture, we are acting to exploit management resources for the JAL group as a whole and to develop new businesses and products.

In the area of welfare, we are acting to expand profits and cultivate knowledge and expertise for care businesses while developing business in additional welfare fields.

We are also acting to expand the business domain and are investing dynamically in M&As and

other areas where we anticipate synergy between growth fields and established business areas.

(e) 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.11-12).

(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. 11-12 or "Consolidated Financial Statements" "transactions with affiliates", p.28-29.

3 . Operating Results and Financial Status

(a) Operating Results

Overall Results in the Current Period

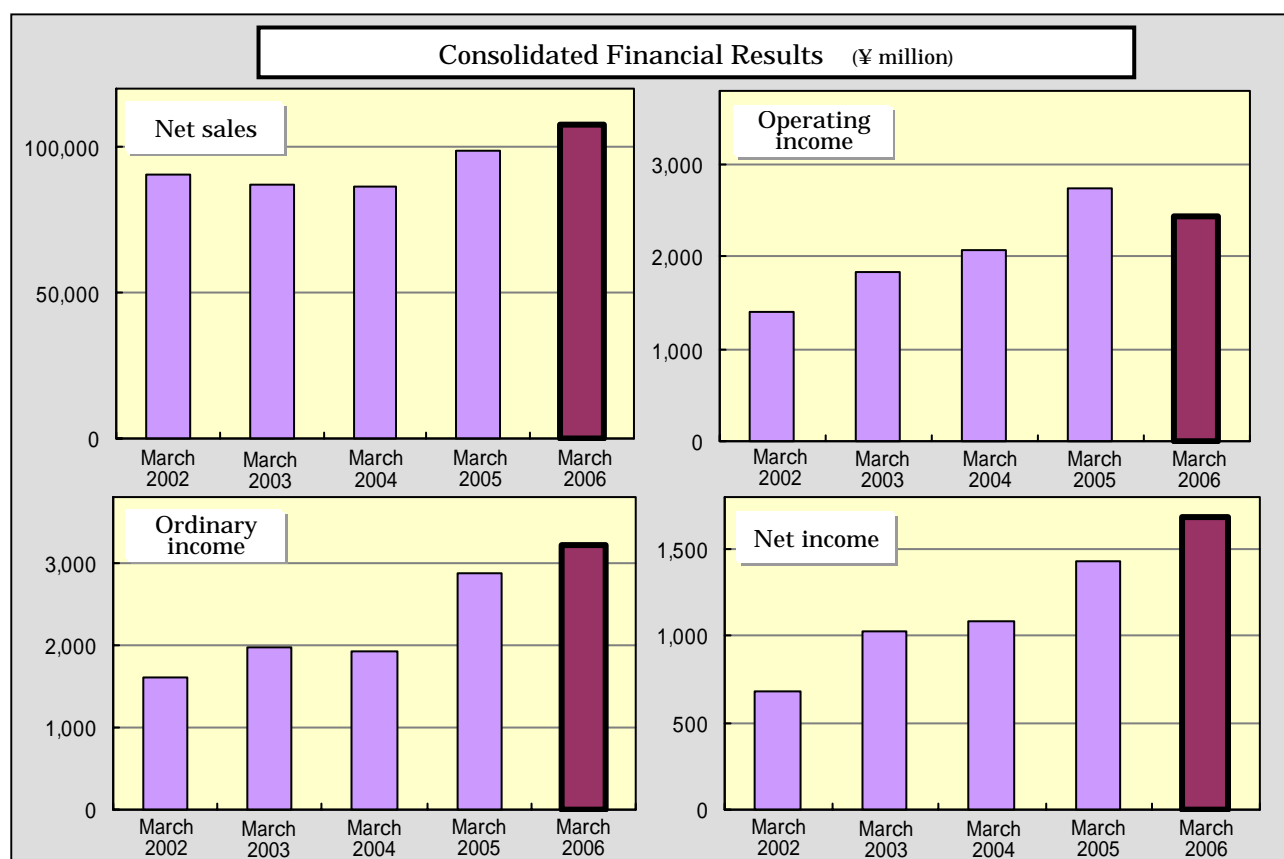
We have worked hard to enhance business expansion amidst a gentle recovery trend in the economic environment, especially in the general consumer markets, and have seen good results in each of the aviation, lifestyle, and customer service segments during the current period.

In the aviation-related business, especially, we saw good results in the aircraft parts storage and supply business (an area targeted for expansion in the mid-term business plan) and in other areas including used aircraft sales.

The import and sale of agricultural and marine products contributed to good results in the lifestyle services business, while the life design business (insurance and real estate) and duty-free shops at Narita Airport (JAL-DFS) performed well in the customer services business.

As a result of these factors, our sales reached 107,952 million yen, exceeding those for the previous period. In terms of operating income, however, conversion adjustments for overseas subsidiaries on the consolidated settlement of account led to a fall to 2,444 million yen (after the exchange gain was calculated as non-operating income). This non-operating income combined with earnings from equity-method affiliates and other figures led to an ordinary income of 3,212 million yen, an increase over the previous period. Even allowing for special losses and income taxes, our net income for the current period amounted to 1,689 million yen, exceeding the figure for the previous period and marking the fourth successive period of optimum profits.

Operating Results (¥ million)	Previous period (year ended March 2005)	Current period (year ended March 2006)	Change (%)	Increase/ Decrease
Net sales	98,622	107,952	109.5	9,329
Operating income	2,741	2,444	89.2	-297
Ordinary income	2,878	3,212	111.6	334
Net income	1,435	1,689	117.7	253



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

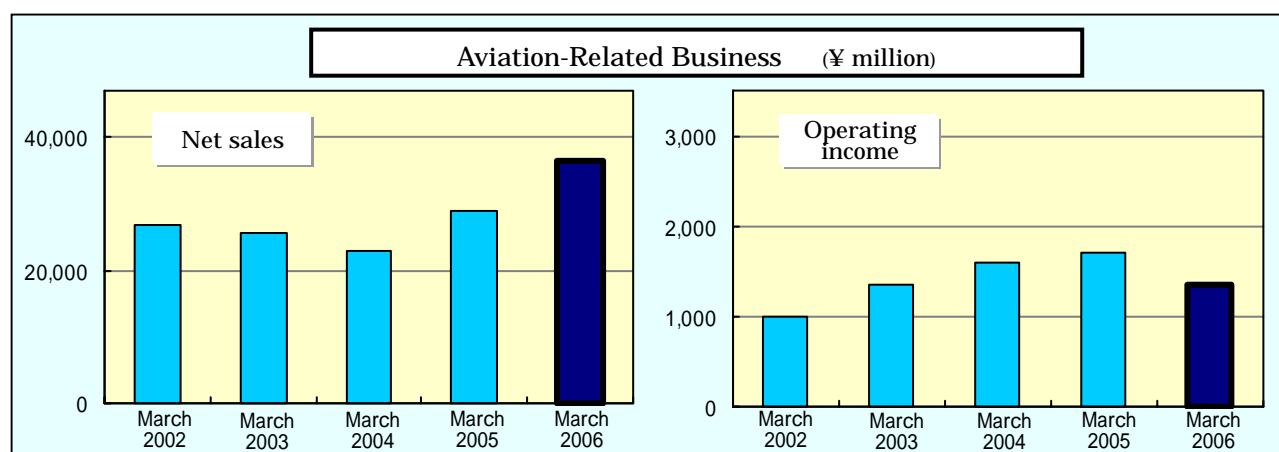
In the aerospace, fuel, and machinery and materials sector, good results from the aircraft engine parts storage and supply business* (newly launched in the previous period) and from used aircraft and engine sales greatly contributed to higher profits. Sales of machinery and materials and procurement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

*A system for storing (stockpiling and quality controlling) imported parts essential to the repair of aircraft engines and supplying them in timely delivery to domestic heavy industry.

The in-flight services sector saw good performances from the textile and uniform procurement and cleaning businesses despite sluggish demand in cabin supplies and in-flight duty-free sales.

As a result of these factors, sales reached 36,381 million yen, exceeding the figure for the previous period. Operating income reached 1,349 million yen, falling below the figure for the previous period. This operating income figure was calculated after recording an exchange gain of 518 million yen from the currency conversion for overseas subsidiaries' profit and loss items as non-operating income on the consolidated statement. Since very little exchange profit and loss occurs in actual transactions, we consider that the actual performance was represented by the sum of this exchange gain plus the said operating income, meaning that we really achieved good results.

Aviation-related business (¥ million)	Previous period (year ended March 2005)	Current period (year ended March 2006)	Change (%)	Increase/Decrease
Net sales	28,977	36,381	125.6	7,404
Operating income	1,706	1,349	79.1	-356



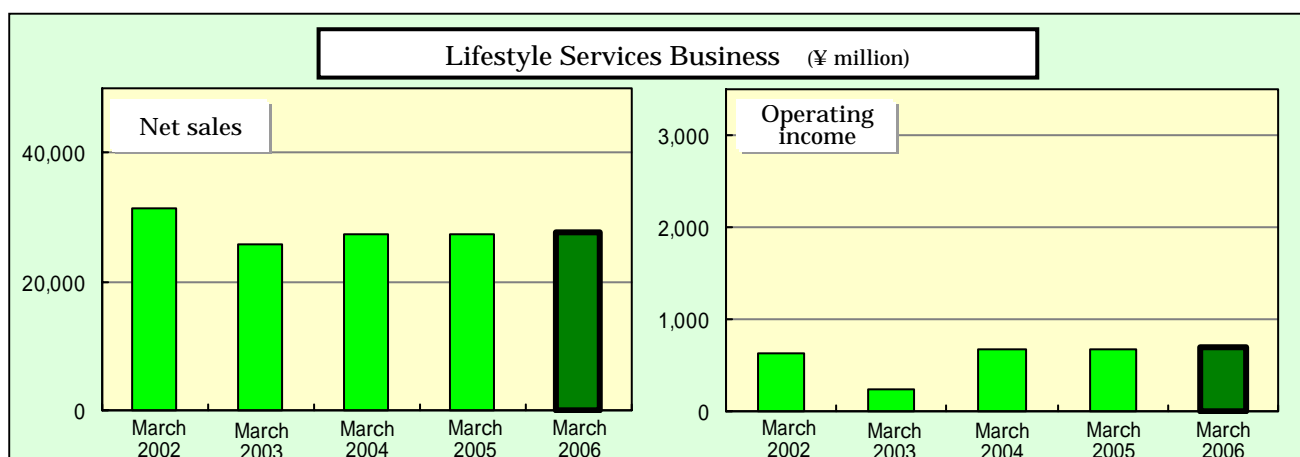
2) Lifestyle services business

In the catalog selling area of the general merchandise sector, the "JAL World Shopping Club" catalog and the "Gourmet First Class" food product supplement both performed well. The sales of "The Great China" travelog DVD set (digital content), which was launched in June 2005, also contributed to an increase in income.

In the food and beverage sector, profits continued to rise from the import and sale of frozen marine products and fruit and vegetables as a result of the expansion of product lines and successful value-added sales. The processed foods area also performed well from sales centered on the JAL Selection De Sky Series of JALUX original food products. These included the freeze-dried "Misoshiru de Sky" (miso soup) launched in June 2005, and "Okayu de Sky" (rice porridge) and "Zosui de Sky," (miso-seasoned rice porridge) launched in December 2005.

As a result of these factors, sales reached 27,691 million yen and operating income 693 million yen, with both figures exceeding those for the previous period.

Lifestyle services business (¥ million)	Previous period (year ended March 2005)	Current period (year ended March 2006)	Change (%)	Increase/Decrease
Net sales	27,404	27,691	101.0	287
Operating income	683	693	101.5	10



3) Customer services business

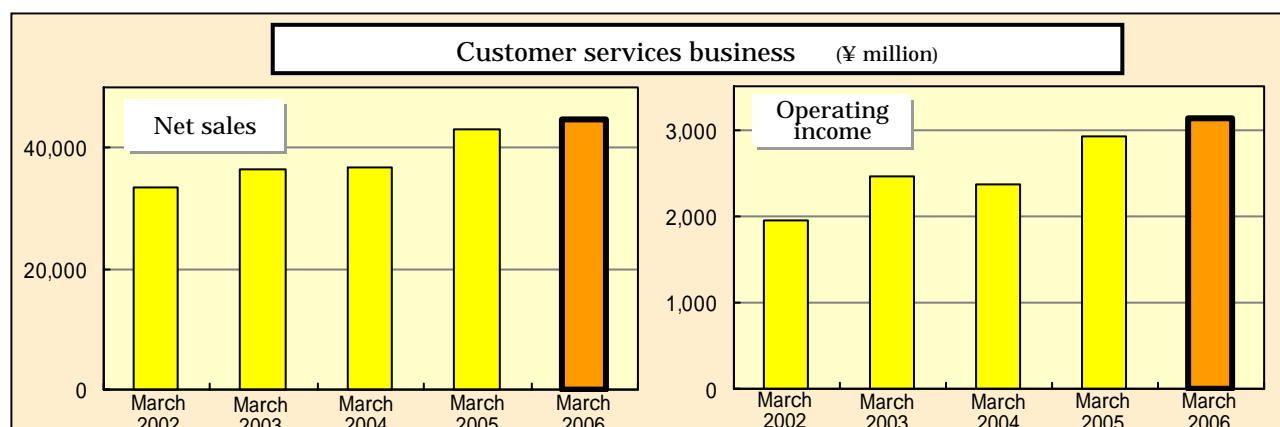
In the media and life design sector, real estate earnings rose from agency, management, subleasing, and advertising in a specialist medium (the real estate news magazine “Link”). In the insurance and FP area, we aimed to raise earnings potential through the growing insurance demand from passengers traveling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

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

At domestic airports, BLUE SKY shop profits fell due to the impact of realignment at Haneda Airport in December 2004, but the JAL-DFS shops at Narita Airport performed well, thanks to the relocation and increased floor space for the Bvlgari brand shops, reopened in November 2004, and the Montblanc brand shops opened in December 2004. Established shops also took in more revenue per customer, contributing to both increased income and profit.

As a result of these factors, sales reached 44,821 million yen and operating income 3,139 million yen, both figures exceeding those for the previous year.

Customer services business (¥ million)	Previous period (year ended March 2005)	Current period (year ended March 2006)	Change (%)	Increase/Decrease
Net sales	43,153	44,821	103.9	1,668
Operating income	2,919	3,139	107.6	220



Operating Results Outlook for the Next Period

Despite the lack of transparency in overseas business trends making the future demand picture unclear, the general economic environment is expected to continue rebounding and customer demand is predicted to expand gently.

In the next accounting period, we aim to raise the competitive capacity of the entire group by continually improving business quality, and to ensure that we achieve our targets.

For aviation-related business, we aim to further expand our customer base through growth of the aircraft parts storage and supply business, sales of used aircraft, participation in domestic and foreign infrastructure-related business exploiting the group's expertise, and enhancement of our product planning capacity for cabin services, in-flight sales, and other areas.

For Lifestyle services business, we aim to strengthen the customer base, promote operational efficiency, and increase profits by such means as maintaining high product quality, competitiveness, and accurate approaches in the direct retailing area. In the food and beverage sector, we aim to focus on developing high value-added products and increasing profitability.

For customer service business, we expect to increase revenue and profits from the "BLUE SKY" airport shops, focusing efforts on New Chitose Airport shops, where numbers increased from seven to twelve in April 2006, and on enhanced efficiency at Haneda Airport shops, where terminal remodeling was completed one and a half years ago. For the life design business, we aim to expand the scale of business under the JAL Vacation Ownership System by introducing new properties in Las Vegas from April 2006 in addition to properties in Hawaii and the Thai island of Phuket.

As a result of the above, we predict increased revenues and profits in the next period, as follows.

Operating Results (¥ million)	Current period (year ended March 2006)	Next period (E) (year ending March 2007)	Change (%)	Increase/ Decrease
Net sales	107,952	111,000	102.8	3,047
Ordinary income	3,212	3,400	105.8	187
Net income	1,689	1,700	100.6	10

(b) Financial Position

Cash and cash equivalents (after this "cash funds") at the end of the current period fell 187 million yen to 4,946 million yen, 96.3 percent from the end of the previous period. This happened due to a good income from operating transactions despite the acquisition of fixed assets and reduction of interest-bearing debts.

The contents of the cash flows for the current period were as follows.

Operating activities

The aircraft parts storage and supply business became still more dynamic, and accounts receivable from sales, accounts payable from procurement, and related inventory assets all rose sharply. The receipt of the advance money on sales of real estate and special rolling stock in the next accounting period, moreover, pushed up the cash funds earned from operating activities in the current period to 2,522 million yen, up 521 million yen, or 126.0 percent, from the previous period.

Investing activities

In the current period we acquired intangible fixed assets for the construction of a new mission-critical system; shops were relocated, floor space extended, and new shops opened; and the US subsidiary purchased training aircraft. Finally, we invested positively in China, establishing a subsidiary in Shanghai and promoting new business in related areas. As a result

of these developments, capital used in investing activities totaled 1,856 million yen, compared with a cash inflow of 385 million yen in the previous period.

Financing activities

This period we endeavoured to continue reducing the interest-bearing debts through repayment of interest burden. Meanwhile, we borrowed money to finance the purchase of training aircraft and wholesale inventories by an overseas subsidiary. As a result, cash funds used in financing activities fell 505 million yen to 866 million yen, 63.2 percent from the previous period.

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

	Period ended March 2002	Period ended March 2003	Period ended March 2004	Period ended March 2005	Period ended March 2006
Shareholders' equity ratio (%)	27.0	28.4	29.3	33.0	35.2
Shareholders' equity at market value (%)	19.7	23.2	82.2	71.5	72.7
Debt repayment (yrs)	3.0	29.4	4.7	2.9	2.2
Interest coverage ratio	21.1	2.9	18.4	29.9	28.2

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 2006. Any significant change in the relationship with the JAL group happening in the future may impact the performance of the JALUX group.

	Ended March 2005		Ended March 2006	
	Amount (million yen)	Change (%)	Amount (million yen)	Change (%)
Japan Airlines Corporation	27	0.0	30	0.0
Japan Airlines International Co., Ltd.	17,649	17.9	16,819	15.6
Other JAL group companies	12,766	12.9	13,194	12.2
Total	30,443	30.9	30,044	27.8

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.

4 . Consolidated financial statements

1. Consolidated balance sheets

(thousand yen)

Account	End of previous term (as of March 31, 2005)		End of current term (as of March 31, 2006)		Change
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount
(Assets)					
Current assets					
1 . Cash and deposits	5,218,478		4,954,081		
2 . Notes and accounts receivable	11,013,960		11,376,827		
3 . Inventories	5,210,814		5,653,412		
4 . Deferred tax assets	424,203		471,881		
5 . Other	2,961,492		2,889,771		
Allowance for doubtful accounts	-33,777		-43,653		
Total current assets	24,795,171	70.5	25,302,319	67.4	507,147
Fixed assets					
1 . Property, plant and equipment					
(1) Buildings and structures	4,260,217		4,582,931		
Accumulated depreciation	1,899,089	2,361,128	2,214,876	2,368,055	
(2) Machinery and delivery equipment	549,354		307,458		
Accumulated depreciation	458,240	91,113	234,623	72,834	
(3) Aircraft	2,241,948		3,229,398		
Accumulated depreciation	749,274	1,492,674	1,062,822	2,166,576	
(4) Other	697,467		760,305		
Accumulated depreciation	378,339	319,128	446,061	314,243	
(5) Land		388,772		412,073	
(6) Construction in progress		19,188		51,151	
Total property, plant and equipment	4,672,005	13.3	5,384,936	14.3	712,931
2 . Intangible fixed assets					
(1) Software	454,253		293,953		
(2) Software in progress	-		933,038		
(3) Other	37,584		30,966		
Total intangible fixed assets	491,838	1.4	1,257,958	3.3	766,120

(thousand yen)

Account	End of previous term (as of March 31, 2005)		End of current term (as of March 31, 2006)		Change
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount
3 . Investments and other assets					
(1) Investment securities	2,181,973		2,481,657		
(2) Investment affiliated	499,693		462,941		
(3) Long-term rental deposits	1,793,931		1,917,076		
(4) Deferred tax assets	382,316		342,692		
(5) Other	503,651		546,147		
Allowance for doubtful accounts	-155,885		-132,315		
Total investments and other assets	5,205,680	14.8	5,618,199	15.0	412,518
Total fixed assets	10,369,524	29.5	12,261,094	32.6	1,891,570
Total assets	35,164,696	100.0	37,563,414	100.0	2,398,717
(Liabilities)					
Current liabilities					
1 . Notes and accounts payable	10,863,128		11,854,649		
2 . Short-term debt	3,357,608		2,999,361		
3 . Accrued corporate tax, etc.	805,075		596,344		
4 . Accrued expenses	2,141,546		2,267,168		
5 . Other	2,374,229		2,239,667		
Total current liabilities	19,541,588	55.6	19,957,190	53.2	415,602
Fixed liabilities					
1 . Long-term debt	2,458,666		2,549,370		
2 . Directors' retirement allowances	329,100		283,616		
3 . Addition to reserve for compensation to retired directors	174,950		185,728		
4 . Deferred tax liabilities	-		57,027		
5 . Other	310,257		424,554		
Total fixed liabilities	3,272,975	9.3	3,500,298	9.3	227,323
Total liabilities	22,814,563	64.9	23,457,489	62.5	642,926

(thousand yen)

Account	End of previous term (as of March 31, 2005)		End of current term (as of March 31, 2006)		Change
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount
(Minority interests)					
Minority interests	733,930	2.1	881,358	2.3	147,427
(Shareholders' equity)					
Common stock	2,558,550	7.3	2,558,550	6.8	-
Paid-in capital	711,296	2.0	711,363	1.9	66
Retained earnings	8,608,902	24.5	9,992,376	26.6	1,383,474
Unrealized gains on securities	10,413	0.0	22,663	0.0	12,250
Conversion adjustment	-263,946	-0.8	-51,101	-0.1	212,844
Treasury stock	-9,013	-0.0	-9,284	-0.0	-271
Total shareholders' equity	11,616,202	33.0	13,224,566	35.2	1,608,364
Total liabilities, minority interests and shareholders' equity	35,164,696	100.0	37,563,414	100.0	2,398,717

2. Consolidated income statements

(thousand yen)

Account	Current term (April 1, 2004 - March 31, 2005)			Current term (April 1, 2005 - March 31, 2006)			Change
	Amount		Composi- tion rate (%)	Amount		Composi- tion rate (%)	Amount
Net sales		98,622,995	100.0		107,952,007	100.0	9,329,011
Cost of sales		75,549,297	76.6		84,595,451	78.4	9,046,154
Gross profit		23,073,698	23.4		23,356,555	21.6	282,857
Selling, general and administrative expenses							
1 . Packing and transportation expenses	1,075,230			1,048,719			
2 . Payroll allowance	7,709,107			7,906,162			
3 . Employee retirement expenses	300,254			246,246			
4 . Rent expenses	4,532,793			4,689,576			
5 . Depreciation and amortization	378,564			374,795			
6 . Addition to reserve for compensation to retired directors	54,181			52,500			
7 . Other	6,281,897	20,332,031	20.6	6,593,896	20,911,898	19.3	579,867
Operating income		2,741,667	2.8		2,444,656	2.3	-297,010
Non-Operating income							
1 . Interest income	42,343			19,283			
2 . Dividends	38,274			36,556			
3 . Equity in earnings of affiliates	78,921			108,864			
4 . Exchange gain				583,288			
5 . Other	190,255	349,795	0.3	130,706	878,699	0.8	528,904
Non-Operating expenses							
1 . Interest paid	69,082			94,722			
2 . Exchange loss	110,201			-			
3 . Other	34,171	213,455	0.2	15,683	110,405	0.1	-103,049
Ordinary income		2,878,007	2.9		3,212,950	3.0	334,943
Extraordinary profit							
1 . Gain on sales of fixed assets	237,385			12,022			
2 . Gain on sales of investment securities	15,995			-			
3 . Duty-free business consumption tax etc.	-			130,131			
4 . Other	-	253,381	0.3	6,730	148,884	0.1	-104,497

(thousand yen)

Account	Previous term (April 1, 2004 - March 31, 2005)		Composi- tion rate(%)	Current term (April 1, 2005 - March 31, 2006)		Composi- tion rate(%)	Change
	Amount			Amount			Amount
Extraordinary loss							
1 . Fixed asset disposal losses	156,139			26,312			
2 . Fixed asset impairment losses	123,340			26,507			
3 . Loss on revaluation of inventories	-			95,181			
4 . Loss on write-off of claims in the past year	-			35,522			
5 . Other	800	280,279	0.3	8,550	192,073	0.2	-88,206
Net income before adjustment of taxes, etc.		2,851,108	2.9		3,169,761	2.9	318,652
Corporate income taxes, resident taxes, etc.	1,349,346			1,246,151			
Deferred income taxes	-78,800	1,270,546	1.3	49,784	1,295,936	1.2	25,389
Minority interest in income of consolidated subsidiaries		144,891	0.1		184,584	0.1	39,692
Net income		1,435,670	1.5		1,689,240	1.6	253,570

3. Consolidated statement of shareholders' equity

(thousand yen)

Account	Previous term (April 1, 2004 - March 31, 2005)		Current term (April 1, 2005 - March 31, 2006)	
	Amount		Amount	
(Paid-in capital)				
At beginning of period		711,260		711,296
Increase				
1 . Treasury stocks disposal margin	36	36	66	66
Paid-in capital at end of period		711,296		711,363
(Retained earnings)				
At beginning of period		7,448,233		8,608,902
Increase				
1 . Net income	1,435,670	1,435,670	1,689,240	1,689,240
Decrease				
1 . Cash dividend paid	255,439		280,974	
2 . Directors' bonuses paid	19,562	275,001	24,792	305,766
Retained earnings at end of period		8,608,902		9,992,376

4. Consolidated cash flow statement

(thousand yen)

	Previous term (April 1, 2004 - March 31, 2005)	Current term (April 1, 2005 - March 31, 2006)	Change
Account	Amount	Amount	Amount
Net cash from operating activities			
Net income before adjustment of taxes, etc.	2,851,108	3,169,761	318,652
Depreciation and amortization	634,346	696,862	62,516
Increase (decrease) in doubtful debt reserve	-9,234	-15,041	-5,806
Increase (decrease) in employee retirement expenses	116,898	-45,483	-162,382
Interest and dividends received	-80,618	-55,840	24,778
Interest paid	69,082	94,722	25,640
Exchange gain or loss	-3,192	-26,545	-23,353
Equity in earnings of affiliates	-78,921	-108,864	-29,943
Write-down of inventories	-	8,550	8,550
Loss on retirement of fixed assets	-81,246	14,289	95,535
Fixed asset impairment losses	123,340	26,507	-96,833
Gain on sales of investment securities	-15,995	-	15,995
Increase (decrease) in accounts receivable	979,608	-673,942	-1,653,551
Increase (decrease) in inventories	-101,030	-343,115	-242,084
Increase (decrease) in accounts payable	-1,445,848	884,319	2,330,167
Increase (decrease) in bankruptcy claims, etc.	47,587	17,782	-29,805
Directors' bonuses	-20,570	-26,100	-5,530
Other	248,558	373,634	125,075
Subtotal	3,233,873	3,991,497	757,623
Interest and dividends received	94,819	70,272	-24,546
Interest paid	-66,912	-89,566	-22,654
Corporate taxes paid	-1,260,408	-1,449,779	-189,371
Net cash provided by operating activities	2,001,372	2,522,424	521,051

(thousand yen)

		Previous term (April 1, 2004 - March 31, 2005)	Current term (April 1, 2005 - March 31, 2006)	Change
Account		Amount	Amount	Amount
Net cash from investing activities				
Payments for acquisition of property, plant and equipment		-699,801	-1,096,982	-397,180
Proceeds from sales of property, plant and equipment		243,822	12,022	-231,799
Payments for acquisition of intangible fixed assets		-119,932	-895,550	-775,618
Payments for acquisition of investment in subsidiaries and affiliates		-50,000	-30,000	20,000
Payments for acquisition of securities and investment securities		-51,264	-262,307	-211,043
Proceeds from sales of securities and investment securities		78,376	100,280	21,903
Payments for investment in affiliate companies		-	-115,561	-115,561
Expenses for paid-in capital		-50,000	-5,000	45,000
Expense for loans		-121,685	-1,741	119,943
Proceeds from loan collection		612,942	465,153	-147,788
Payments for term deposits		-	-243,613	-243,613
Refund from term deposits		272	268,628	268,355
Expense for increase in long-term rental deposits		-100,934	-82,982	17,951
Income from decrease in long-term rental deposits		700,135	28,349	-671,786
Other		-56,009	2,563	58,572
Net cash from investing activities		385,922	-1,856,740	-2,242,662

(thousand yen)

		Previous term (April 1, 2004 - March 31, 2005)	Current term (April 1, 2005 - March 31, 2006)	Change
Account		Amount	Amount	Amount
Net cash from financing activities				
Net increase (decrease) in short-term debt		-258,160	5,906	264,066
Proceeds from increase in long-term debt		468,900	639,602	170,702
Payments for long-term debt		-1,288,953	-1,192,628	96,324
Dividends paid		-255,439	-280,974	-25,535
Dividends paid to minority shareholders		-36,000	-36,990	-990
Other		-1,868	-1,381	486
Net cash from financing activities		-1,371,520	-866,466	505,054
Conversion effect on cash and cash equivalents		12,875	12,859	-15
Net increase in cash and cash equivalents		1,028,649	-187,922	-1,216,572
Cash and cash equivalents at beginning of period		4,106,222	5,134,871	1,028,649
Cash and cash equivalents at end of period		5,134,871	4,946,949	-187,922

Segment Data

By business type

Previous consolidated accounting period (April 1, 2004 to March 31, 2005)						
(thousand yen)						
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
. Net sales, operating income and loss						
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
. Assets, depreciation and amortization, and capital expenditure						
Assets	11,223,935	7,161,095	11,962,018	30,347,049	4,817,646	35,164,696
Depreciation and amortization	269,370	66,955	224,511	560,837	73,509	634,346
Impairment loss	-	-	72,017	72,017	51,322	123,340
Capital expenditure	308,047	36,484	589,536	934,068	43,357	977,425

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.

4. For assets in the current accounting period, whole-firm assets including elimination or unallocated amount totalled 5,028 million yen. Factors included assets relating to the parent company's long-term investment assets (investment securities) and the administrative division.

Current consolidated accounting period (April 1, 2005 to March 31, 2006)						(thousand yen)
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
. Net sales, operating income and loss						
Net sales						
1 . External customers	35,516,160	27,617,163	44,818,683	107,952,007	—	107,952,007
2 . Inter-segment internal sales / transfers	865,338	74,018	2,985	942,342	(942,342)	—
Total	36,381,498	27,691,182	44,821,669	108,894,350	(942,342)	107,952,007
Operating expenses	35,031,574	26,997,249	41,681,771	103,710,594	1,796,756	105,507,350
Operating income	1,349,924	693,932	3,139,898	5,183,756	(2,739,099)	2,444,656
. Assets, depreciation and amortization, and capital expenditure						
Assets	13,619,181	6,400,482	11,768,524	31,788,188	5,775,225	37,563,414
Depreciation and amortization	336,093	53,208	252,748	642,050	54,812	696,862
Impairment loss	—	—	26,507	26,507	—	26,507
Capital expenditure	1,048,891	24,893	162,342	1,236,127	893,709	2,129,837

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 2,738 million yen. The main reason was costs relating to the administrative division of the General Affairs department at the parent company's headquarters.
4. For assets in the current accounting period, the total whole-firm assets including elimination or unallocated amount totalled 5,541 million yen. Factors included assets relating to parent company's long-term investment assets (investment securities) and the administrative division.

By location

	Previous consolidated accounting period (April 1, 2004 to March 31, 2005) (thousand yen)					
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
. Net sales, operating income and loss						
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 (or loss)	2,646,726	132,988	(179,239)	2,600,475	141,191	2,741,667
. Assets	31,988,156	5,129,848	631,673	37,749,678	(2,584,982)	35,164,696

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 consolidated accounting period (April 1, 2005 to March 31, 2006) (thousand yen)					
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
. Net sales, operating income and loss						
Net sales						
1 . External customers	104,140,596	1,864,875	1,946,535	107,952,007	-	107,952,007
2 . Inter-segment internal sales / transfers	602,653	13,383,598	1,226,047	15,212,299	(15,212,299)	-
Total	104,743,250	15,248,474	3,172,583	123,164,307	(15,212,299)	107,952,007
Operating expenses	101,816,053	15,013,094	3,350,851	120,179,999	(14,672,648)	105,507,350
Operating income (or loss)	2,927,196	235,379	(178,267)	2,984,308	(539,651)	2,444,656
. Assets	33,338,735	7,536,463	743,936	41,619,135	(4,055,721)	37,563,414

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

Since overseas net sales make up less than 10 percent of consolidated net sales, they were omitted from the table for the previous accounting period (April 1, 2004 to March 31, 2005) and current accounting period (April 1, 2005 to March 31, 2006).

Transactions with affiliates

Previous consolidated accounting period (April 1, 2004 to March 31, 2005)

(1) Parent company and major shareholder corporations

Status	Parent company		
Name	JAPAN AIRLINES CORPORATION		
Address	Shinagawa-ku, Tokyo		
Capital or investment (¥ thousand)	100,000,000		
Subject of business or occupation	Holding corporation for a company that undertakes air transport and related business		
Percentage of voting stock ownership	Direct: 51.5% Indirect: 0.4%		
Related matters	Common board members	Transferred residence	7
		Holding additional posts	2
	Business relationship	Building maintenance and management	
Transaction details and amount (¥ thousand)	Sales of investments securities	Cost of sales	22,111
		Gain of sales	15,995
Account and balance at the end of term (¥ thousand)			

Transaction conditions and decision-making policy

- (1) Share sale amounts are determined by the net asset value at market price.

Note: Consumption tax does not apply to transaction sums.

(2) Sister companies

Status	Subsidiary of a parent company					
Name	JAPAN AIRLINES INTERNATIONAL CO., LTD.	JAPAN AIRLINES DOMESTIC CO., LTD.	JAL CAPITAL CO., LTD.	FUKUOKA AIRPORT BUILDING CO., LTD.		
Address	Shinagawa-ku, Tokyo	Shinagawa-ku, Tokyo	Shinagawa-ku, Tokyo	Fukuoka-City, Fukuoka		
Capital or investment (¥ thousand)	188,550,335	23,486,500	3,500,000	4,100,744		
Subject of business or occupation	Air transport service	Air transport service	Finance and general leasing	Airport building management		
Percentage of voting stock ownership	None	None	None	None		
Related matters	Common board members	None	None	None	None	
	Business relationship	Procurement consulting and support services and sales relating to aviation supplies	Procurement consulting and support services and sales relating to aviation supplies	Loan company dealing with JALUX	Leasing of JALUX airport shops and offices	
Transaction details and Amount (¥ thousand)	Procurement and sales including aircraft equipment and cabin supplies	Procurement and sales including aircraft equipment and cabin supplies	Loan and repayment of transport and equipment assets	Product sales	Fukuoka Airport shops and office leasing	
	16,110,755	2,210,936	Loan 28,500,000 Repayment 29,300,000	573,733	56	
Account and balance at the end of term (¥ thousand)	Accounts receivable trade	Accounts receivable trade	Short-term debt	Interest paid	Other current assets	Long-term rental deposits
	3,281,641	366,507	800,000	5,116	475,714	118,200

Transaction conditions and decision-making policy

- (1) When undertaking procurement, supporting or consulting work relating to sales of aircraft parts, cabin supplies and other items with Japan Airlines International Co., Ltd. or Japan Airlines Domestic Co., Ltd., decisions are to be made after taking into consideration market value and general cost price, suggesting a desired price, and negotiating in each period

Concerning other transactions, make decisions through discussions after considering market trends.

- (2) In November 2004, Japan Airlines International Co., Ltd. changed its status from "Parent company" to "Subsidiary to parent company."
- (3) JAL Capital Co., Ltd. loans of operating and equipment capital are determined by short-term prime rates and Japanese yen-denominated TIBOR.
- (4) Concerning Fukuoka Airport Building Co., Ltd. leases, rates and administrative costs are determined in response to changes in economic conditions, rises in administrative operating expenses, and other factors.

Note: Consumption tax does not apply to transaction sums.

Current consolidated accounting period (April 1, 2005 to March 31, 2006)

(1) Sister companies

Status	Subsidiary of a parent company			
Name	JAPAN AIRLINES INTERNATIONAL CO., LTD.	JAPAN TRANSOCEAN AIR CO., LTD	JAL CAPITAL CO., LTD.	
Address	Shinagawa-ku, Tokyo	Naha-City, Okinawa	Shinagawa-ku, Tokyo	
Capital or investment (¥ thousand)	188,550,335	4,537,200	3,500,000	
Subject of business or occupation	Air transport service	Air transport service	Finance and general leasing	
Percentage of voting stock ownership	None	None	None	
Related matters	Common board members	Holding additional posts 2	None	Holding additional posts 1
	Business relationship	Procurement consulting and support services & sales relating to aviation	Aircraft components supply	Loan company dealing with JALUX
Transaction details and Amount (¥ thousand)	Procurement and sales of aircraft components and cabin service goods.	Sales of aircraft parts	Loan and repayment of transport and equipment assets	
	14,445,701	2,389,425	Loan Repayment	2,400,000 2,800,000
Account and balance at the end of term (¥ thousand)	Accounts receivable trade	Accounts receivable trade	Short-term debt	Interest paid
	2,395,277	379,356	400,000	430

Transaction conditions and decision-making policy

- (1) When undertaking procurement, supporting or consulting work relating to sales of aircraft parts, cabin supplies and other items with Japan Airlines International Co., Ltd. decisions are to be made after taking into consideration market value and general cost price, suggesting a desired price, and negotiating in each period
Concerning other transactions, make decisions through discussions after considering market trends.
- (2) When undertaking procurement, supporting or consulting work relating to sales of aircraft parts with Japan Transocean Air Co., Ltd. decisions are to be made after taking into consideration market value and general cost price, suggesting a desired price, and negotiating in each period
Concerning other transactions, make decisions through discussions after considering market trends.
- (3) JAL Capital Co., Ltd. loans of operating and equipment capital are determined by short-term prime rates and Japanese yen-denominated TIBOR.

Note: Consumption tax does not apply to transaction sums.

Per share information

Previous consolidated accounting period (April 1, 2004 to March 31, 2005)	Current consolidated accounting period (April 1, 2005 to March 31, 2006)
Book value per share ¥908.11	Book value per share ¥1,036.14
Earnings per share ¥110.62	Earnings per share ¥132.57
Concerning per-share net income for the current period after potential stock adjustment, potential shares do not exist and so are not recorded.	Concerning per-share net income for the current period after potential stock adjustment, potential shares do not exist and so are not recorded.

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

	Previous consolidated accounting period (April 1, 2004 to March 31, 2005)	Current consolidated accounting period (April 1, 2005 to March 31, 2006)
Earnings per share		
Net income (thousand yen)	1,435,670	1,689,240
Sum not belonging to holders of shares of common stock (thousand yen)	24,006	-2,491
(Sum of which paid out as employee bonuses for profit disposal)	(24,006)	(-2,491)
Net income available to shareholders of shares of common stock (thousand yen)	1,411,664	1,691,732
Average number of outstanding shares (thousand yen)	12,761	12,760