

Management Discussion & Analysis, and Financial Statements, Etc.

1. Information Concerning Consolidated Financial Results

(1) Analysis of Financial Results

(Operating Results for the 2nd Quarter)

Japan's economy during the interim under review covering two fiscal quarters showed clear signs of slowing down with sluggish consumer consumption and other factors amid weakening exports and production against the backdrop of global economic turmoil and soaring crude oil and grain prices.

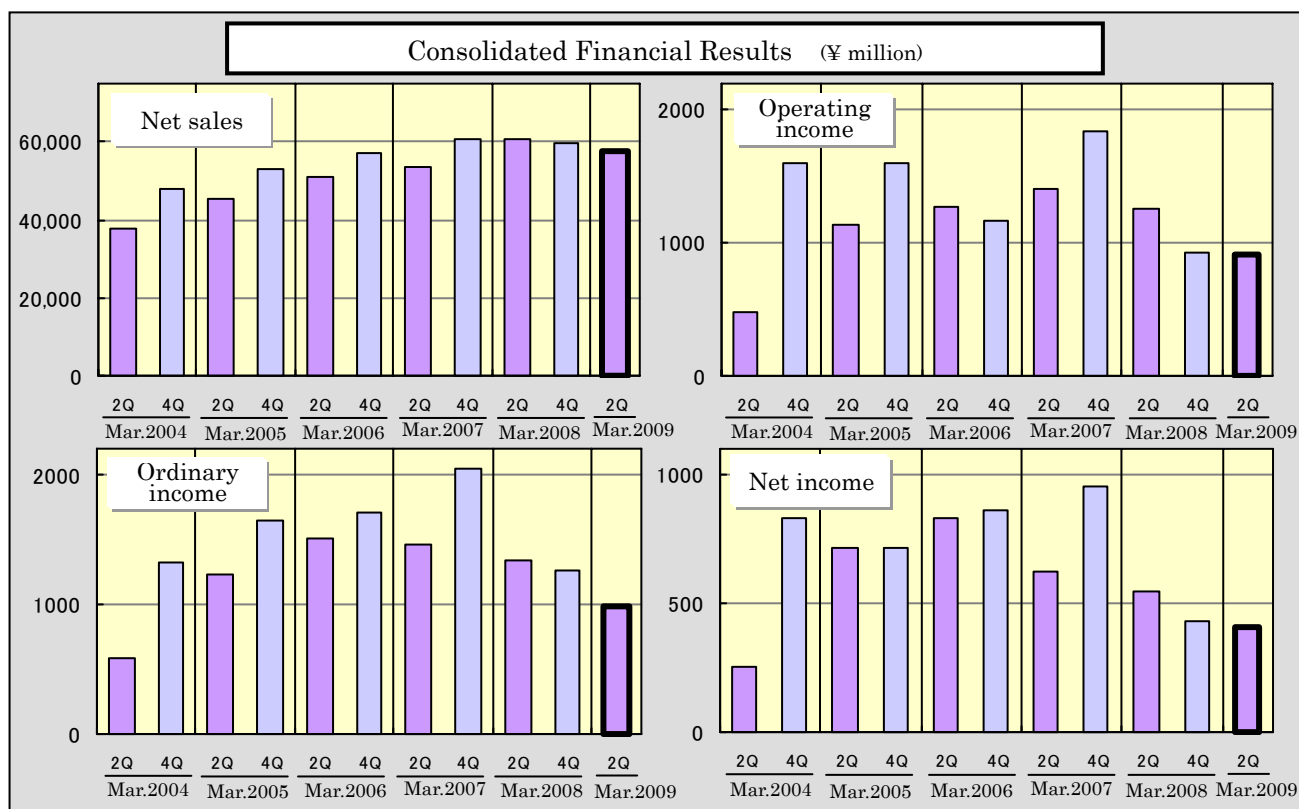
Under such circumstances, the JALUX Group has been working to expand its business base and maximize enterprise value as it proceeds to realize its medium-term management plan (covering the fiscal years ending March 2008 through March 2010).

Viewed by business operation, results for B-to-B business (operations focusing mainly on business corporations) fell below those of the previous year for both sales and profit due to a pullback in the real estate business which had had an increase in earnings the preceding period. In B-to-C business (operations focusing mainly on consumers), an increase in revenue was maintained due to enhanced earnings in the Food & Beverage business, but in the end profits declined caused by sluggishness in the resort, Aviation-related and other businesses.

As a result of the above, sales for the interim period under review covering two fiscal quarters were ¥57,492 million (94.8% on a year-on-year basis) and gross profit was ¥11,706 million (97.6% on a year-on-year basis). Additionally, a rise in retirement benefit costs due to diminished returns from pension plan assets recently ushered in a decline in operating profit to ¥907 million (72.1% on a year-on-year basis), ordinary income to ¥987 million (74.0% on a year-on-year basis), and net income for the period after adjustments for extraordinary loss and corporate tax items to ¥410 million (75.5% on a year-on-year basis), all of which were below the same period in the previous year.

Performance during the period under review was on the whole better than the forecast for the interim covering two fiscal quarters of the year ending March 31, 2009, which was announced on April 28, 2008. Nevertheless, it is expected that from the second half of the year, the business environment in which the company operates will continue to remain severe with projections of sluggish consumer spending becoming more pronounced due to the economic slowdown. The entire Company is intensifying its efforts to actively enhance profitability and aggressively cut costs to secure solid earnings in the third quarter, which accounts for a large proportion of the annual profits. The Company is striving to vigorously achieve its fiscal-year forecast. From the above, the Company at this point holds to its consolidated and non-consolidated earnings forecasts released on April 28, 2008 for the fiscal year ending March 31, 2009.

Operating Results (¥ million)	Previous 2 nd quarter (April – September, 2007)	Current 2 nd quarter (April – September, 2008)	Change (%)	Increase/ Decrease
Net sales	60,623	57,492	94.8	(3,131)
Operating income	1,258	907	72.1	(350)
Ordinary income	1,335	987	74.0	(347)
Net income	543	410	75.5	(133)



[Performance by Segment]

The outlook by segment is as follows. For the purpose of strengthening inter-divisional cooperation and efficiency, the previous seven main business divisions were reorganized and shifted into four segments in which "Aviation-related" and "Corporate solutions," which are principally B-to-B business, handle corporate business operations and "Travel retail" and "Food & Beverage," which are mainly B-to-C business, handling retail operations. At the same time, information concerning segment earnings for the year-earlier term has been restated based on the new divisions.

The figures for each category are shown before adjustment for inter-segment net sales, transfers, and unallocatable costs.

① Aviation-related business

In the aircraft and aircraft parts segment, demand picked up for sales of aircraft components, which got off to an initial slow start, and finished with total results ahead on the year, but profits were down due to a low number of sales of profitable used large size aircraft in comparison with the corresponding period last year.

As a result, sales and operating income posted ¥17,061 million and ¥752 million, respectively.

Aviation-related business (¥ million)	Previous 2 nd quarter (April – September, 2007)	Current 2 nd quarter (April – September, 2008)	Change (%)	Increase/Decrease
Net sales	20,117	17,061	84.8	(3,055)
Operating income	894	752	84.1	(142)

② Corporate solutions business

Results for the Corporate solutions business came in below those of the same period a year ago as profits in the printing and media business were lower due to a decline in profitability even though orders connected to corporate sales promotions continued to remain strong, and because of a rebound in real estate operations where profits had risen partly due to the completion of projects with high profit margins during the preceding period.

As a result, sales and operating income posted ¥8,850 million and ¥771 million, respectively.

Corporate solutions business (¥ million)	Previous 2 nd quarter (April – September, 2007)	Current 2 nd quarter (April – September, 2008)	Change (%)	Increase/Decrease
Net sales	9,236	8,850	95.8	(385)
Operating income	896	771	86.1	(124)

③ Travel retail business

In the brand and duty-free merchandise business, although efforts were made to increase the number of units purchased per customer during in-flight sales, such efforts were not able to make up for the decrease in the number of passengers on JAL international flights, leading to a decline in sales. However, earnings remained almost on par with a year earlier thanks to the brisk performance of wholesale-delivery operations to duty-free shops and the mail-order sales business also reporting profit growth resulting from strategic efforts to improve profitability and reduce costs.

On the other hand, a decline in orders was seen in the resort business due to a slump in consumer consumption and even though hit products from Hokkaido contributed to increased earnings from store operations, slow earnings growth at Haneda, Narita and other airports had an effect on overall retail-related operations, resulting in a rise in income and a decrease in profits.

As a result, sales and operating income posted ¥22,079 million and ¥636 million, respectively.

Travel retail business (¥ million)	Previous 2 nd quarter (April – September, 2007)	Current 2 nd quarter (April – September, 2008)	Change (%)	Increase/ Decrease
Net sales	22,272	22,079	99.1	(193)
Operating income	939	636	67.8	(302)

④ Food & Beverage business

Gift-use food product operations showed a decrease in earnings as summer gift giving fared poorly, having been caught in the decline of consumer sentiment. The wine business also displayed sluggish growth as well due to a downturn in consumption, but the Food & Beverage business turned out increases in both revenue and profits from the continuing favorable results garnered by import sales of fruits and vegetables as well as high-value-added frozen marine products in operations associated with agricultural and marine products.

As a result, sales and operating income posted ¥9,567 million and ¥337 million, respectively.

Food & Beverage business (¥ million)	Previous 2 nd quarter (April – September, 2007)	Current 2 nd quarter (April – September, 2008)	Change (%)	Increase/ Decrease
Net sales	9,088	9,567	105.3	479
Operating income	221	337	152.1	115

2. Consolidated financial position

(1) Assets, liabilities, and shareholders' equity

At the end of the second quarter, cash holdings significantly decreased on the acquisition of commercial real estate, inventories in preparation for year-end demand, shares of stock, and other items, but short and long-term financing activities were undertaken to cover these. Also, accounts receivable and accounts payable decreased and insurance premiums received dipped due to varying seasonal factors. The rise in advance payments received was brought about because of calendar costs, the proceeds of which will be included in December, and lump sum payments at the start of construction for real estate contract work. As a result, total assets increased by ¥68 million to ¥41,643 million in comparison with the end of the previous consolidated fiscal term.

Net assets declined by ¥337 million due to dividend payments and higher foreign currency translation adjustments (reducing net assets) to a total of ¥15,695 million. As a result, the equity ratio experienced a 0.7 percentage-point slide to finish at 35.5%.

(2) Cash flows

Net cash and cash equivalents (“Cash”) at the end of the period under review totaled ¥5,214 million. This was ¥959 million lower than, or 84.5% the level of, the year earlier.

Cash flows developed as follows.

Operating cash flows

Although net income for the quarter before adjusting for taxes and minority interests was ¥920 million, lower accounts payable, increased inventories, payment of corporate and other taxes as well as additional factors resulted in net cash acquired from operating activities being ¥203 million.

Investing cash flows

The acquisition of commercial real estate, provision for operating guarantee deposits, acquisition of investment securities and other factors resulted in net cash used in investing activities totaling ¥2,012 million.

Financing cash flows

Net cash provided by financing activities totaled ¥906 million. Main factors were payment of dividends and funds acquired through financing activities.

3. Consolidated earnings forecasts

Consolidated net earnings for the period under review generally exceeded the consolidated earnings forecast for the cumulative period covering two fiscal quarters of the year ending March 31, 2009 despite a decrease in profits on a year-on-year basis. Nevertheless, as mentioned in the above "Qualitative Information on the Consolidated Financial Results," the business environment in which the company operates is projected to remain severe in the second half of the year and after, which is also expected to impact the Company's performance considerably. Under these circumstances, JALUX and its group companies will strive to maximize enterprise value and achieve fiscal-year targets while dealing quickly and appropriately with changing trends.

In the Aviation-related business, sales of aircraft components, which were sluggish at the beginning of the term, are expected to show signs of recovery and sales of used aircraft are projected to hold steady in the second half and onward.

As for the Corporate solutions business, the real estate business is expected to post lower earnings down from a year earlier on a pullback from strong earnings growth in real estate for sale (land and buildings) during the preceding term, but the business mainstay sub-leasing is projected to remain strong, and, in the insurance business as well, positive efforts are being promoted with attention being focused the changing business environment. Such efforts include establishing companies (subsidiaries) involved in personal retail so as to improve business profitability and develop new business models.

In the Travel retail business, consumer spending will continue to be sluggish, but a scenario is also expected in which demand for air travel somewhat recovers triggered by a shakeout in the rise of crude oil prices. So, an effort will be made to secure solid profits by launching sales campaigns and other promotions which systematically and integrally link the Company's fortes of mail order sales, in-flight sales, and airport stores.

In the Food & Beverage business, agricultural and marine product-related operations are projected to remain strong and an increase in revenue and profits is expected from business expansion allied with the Sojitz Group for in-flight meal operations and even processed food-related operations.

Based on these considerations, the Company will aim to realize its full-year earnings targets.

Operating Results (¥ million)	Current period (year ended March 2008)	Next period (E) (year ending March 2009)	Change (%)	Increase/ Decrease
Net sales	120,228	127,000	105.6	6,771
Operating income	2,188	3,000	137.1	811
Ordinary income	2,596	3,100	119.4	503
Net income	978	1,550	158.4	571

4. Other matters

(1) Change in important subsidiaries during the period under review (change in specified subsidiaries due to changes in the scope of consolidation)

None.

(2) Application of simplified accounting procedures and special accounting procedures for the preparation of quarterly consolidated financial statements.

(Calculation method for tax expenses)

The Company calculates tax expenses by rendering a reasonable estimate of the effective tax rate applicable to consolidated pre-tax income, after accounting for tax effects, for the fiscal year including this first quarter and applying this estimated effective tax rate to income before tax. Deferred income taxes are presented included in current income corporation income tax, residents tax, and enterprise tax.

(3) Change in accounting principles, procedures, and presentation, etc. concerning the preparation of quarterly consolidated financial statement

(i) Application of the Financial Accounting Standard for Quarterly Financial Statements

Beginning with the period under review, the Company applies the Financial Accounting Standard for Quarterly Financial Statements (Financial Accounting Standard No. 12) and the Application Guidelines for the Financial Accounting Standard for Quarterly Financial Statements (Financial Accounting Standard Application Guideline No. 14). The Company prepares consolidated quarterly financial statements in accordance with the Rules Concerning the Preparation of Quarterly Consolidated Financial Statements.

(ii) Application of the Financial Accounting Standard for Inventory Valuation

For the valuation of inventories, the Company has historically used the moving average method and specific identification method as valuation methods. Beginning with the period under review, the Company applies the Financial Accounting Standard for Inventory Valuation (Financial Accounting Standard No. 9; July 5, 2006). Consequently, the Company uses mostly the cost method based on the moving average method and specific identification method to calculate the value of inventories (balance sheet carrying values are written down consistent with declining profitability).

The effects on operating income, ordinary income, and pretax income for the period are negligible.

(iii) Application of the Financial Accounting Standard for Lease Transactions

With regard to finance leases without ownership transfer, the Company has historically applied accounting treatment consistent with that for rental transactions. However, with the Financial Accounting Standard for Lease transactions (Accounting Standards Board of Japan; Financial Accounting Standard No. 13, Revision of March 30, 2007) and the Application Guidelines for the Financial Accounting Standard for Lease transactions (Accounting Standards Board of Japan; Financial Accounting Standard Application Guideline No. 16; Revision of March 30, 2007) becoming available for application to consolidated quarterly financial statements for fiscal years beginning on or after April 1, 2008, the Company applies these accounting standards to lease contracts that begin on or after April 1, 2008, using accounting treatment consistent with regular purchase transactions.

With regard to depreciation charges applicable to lease assets under finance leases without ownership transfer, the Company uses the straight-line method with the contract term as the useful life of the lease asset and with a residual value of zero.

For finance leases without ownership transfer whose start-date predates the first applicable fiscal year, the Company continues to use accounting treatment consistent with normal rental transactions.

This change has no effects on operating income, ordinary income, and pretax income for the period

(iv) Application of the Provisional Guidelines for the Accounting Treatment of Foreign Subsidiaries in the Preparation of Consolidated Financial Statements

Beginning with the period under review, the Company applies the Provisional Guidelines for the Accounting Treatment of Foreign Subsidiaries in the Preparation of Consolidated Financial Statements (Practical Solutions Statement No. 18; May 17, 2006) and has made the adjustments necessary for consolidated financial reporting.

There are no effects on operating income, ordinary income, and pretax income for the period

(v) Changed segment information categories

Segment information categories were changed beginning with the period under review.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(thousand yen)

	End of current 2 nd quarter (September 30, 2008)	End of previous consolidated financial year (March 31, 2008)
Assets		
Current assets		
Cash and deposits	5,292,611	6,280,283
Notes and accounts receivable	11,894,879	12,158,395
Merchandise	6,226,178	6,085,069
Real estate for sale	1,301,608	1,224,925
Other	3,616,575	3,483,738
Allowance for doubtful accounts	(21,261)	(21,902)
Total current assets	28,310,592	29,210,510
Fixed assets		
Property, plant and equipment	5,684,525	4,812,603
Intangible fixed assets	1,710,177	1,873,712
Investments and other assets	5,937,714	5,678,117
Total fixed assets	13,332,418	12,364,433
Total assets	41,643,010	41,574,944
Liabilities		
Current liabilities		
Notes and accounts payable	12,537,852	13,259,593
Short-term debt	4,144,897	3,953,469
Accrued corporate tax, etc.	333,479	413,664
Accrued expenses	2,259,171	2,255,387
Other	1,808,364	1,831,545
Total current liabilities	21,083,764	21,713,660
Fixed liabilities		
Long-term debt	4,031,588	2,970,730
Directors' retirement allowances	33,378	30,526
Addition to reserve for compensation to retired directors	80,894	176,561
Other	717,658	650,667
Total fixed liabilities	4,863,519	3,828,486
Total liabilities	25,947,284	25,542,146

(thousand yen)

	End of current 2 nd quarter (September 30, 2008)	End of previous consolidated financial year (March 31, 2008)
Net assets		
Shareholder's equity		
Common stock	2,558,550	2,558,550
Paid-in capita	711,499	711,499
Retained earnings	11,848,651	11,885,115
Treasury stock	(11,147)	(10,888)
Total shareholder's equity	15,107,554	15,144,276
Evaluation and conversion figures		
Unrealized gains on securities	(60,336)	(5,890)
Deferred gains or losses on hedges	(46,875)	(43,161)
Conversion adjustment	(232,558)	(48,576)
Total evaluation and conversion figures	(339,770)	(97,629)
Minority interests	927,941	986,150
Total net assets	15,695,725	16,032,797
Total liabilities and net assets	41,643,010	41,574,944

(2) Quarterly Consolidated Income Statement

	(thousand yen)
	Current 2 nd quarter (April 1 – to September 30, 2008)
Net sales	57,492,686
Cost of sales	45,786,013
Gross profit	11,706,673
Selling, general and administrative expenses	
Packing and transportation expenses	502,550
Payroll allowance	4,068,522
Employee retirement expenses	239,624
Depreciation	364,323
Rent expenses	2,314,869
Addition to reserve for compensation to retired directors	34,692
Other	3,274,151
Total selling, general and administrative expenses	10,798,735
Operating income	907,937
Non-operating income	
Interest income	9,009
Dividends	7,859
Equity in earnings of affiliates	51,854
Group insurance dividends	12,871
Agency commissions	29,208
Other	51,938
Total non-operating income	162,741
Non-operating expenses	
Interest paid	61,154
Other	6,764
Total non-operating expenses	15,339
Ordinary income	83,258
Extraordinary profit	
Gain on sales of fixed assets	
Reversal of allowance for doubtful receivables	1,233
Other	670
Total extraordinary profit	1,903
Extraordinary loss	
Fixed asset disposal losses	13,249
Loss on revaluation of investments in securities	7,315
Loss on valuation of stocks of subsidiaries and affiliates	46,507
Other	2,128
Total extraordinary loss	69,199
Net income before adjustment of taxes, etc.	920,125
Corporate income taxes, resident taxes, etc.	443,338
Minority interest in income of consolidated subsidiaries	66,256
Net income	410,531

(3) Quarterly Consolidated Cash Flow Statement

	(thousand yen)
	Current 2 nd quarter (April 1 – to September 30, 2008)
Net cash from operating activities	
Net income before adjustment of taxes, etc.	920,125
Depreciation	539,287
Decrease in doubtful debt reserve (decline)	(3,033)
Decrease in employee retirement expenses (decline)	2,851
Interest and dividends received	(16,868)
Interest paid	61,154
Exchange gain or loss (gain)	(1,139)
Equity in earnings of affiliates (gain)	(51,854)
Gain on retirement of fixed assets (gain)	12,015
Gain on sales of investment securities (gain)	7,315
Loss on valuation of stocks of subsidiaries and affiliates	46,507
Increase (decrease) in accounts receivable (increase)	(93,722)
Increase (decrease) in inventories (increase)	(307,688)
Increase (decrease) in accounts payable (decline)	(529,906)
Increase (decrease) in advance payments (increase)	30,505
Increase in advance payments received (decline)	390,768
Change in claims in bankruptcy rehabilitation (increase)	4,684
Increase (decrease) in prepaid pension cost (increase)	78,745
Other	(424,244)
Subtotal	665,503
Interest and dividends received	61,011
Interest paid	(81,995)
Corporate taxes paid	(440,960)
Net cash provided by operating activities	203,559
Cash flows from investing activities	
Payments for acquisition of property, plant and equipment	(1,435,481)
Proceeds from sales of property, plant and equipment	1,394
Payments for acquisition of intangible fixed assets	(123,784)
Payments for acquisition of investment securities	(249,682)
Proceeds from sales of property of investment securities	2,185
Expense for loans	(463)
Proceeds from loan collection	6,527
Payments for term deposits	(721)
Expense for increase in long-term rental deposits	(272,855)
Income from decrease in long-term rental deposits	52,011
Increase in restrictive deposits (increase)	20,593
Other	(12,603)
Net cash provided by (used for) investing activities	(2,012,880)

	(thousand yen)
	Current 2 nd quarter
	(April 1 – to September 30, 2008)
Net cash from financing activities	
Net increase (decrease) in short-term debt	112,384
Proceeds from increase in long-term debt	2,000,000
Payments for long-term debt	(634,555)
Dividends paid	(448,372)
Dividends paid to minority shareholders	(120,000)
Other	(2,710)
Net cash from financing activities	906,746
Conversion effect on cash and cash equivalents	(57,296)
Net increase in cash and cash equivalents	(959,871)
Cash and cash equivalents at beginning of period	6,174,828
Cash and cash equivalents at the end of period	5,214,957

Beginning with the period under review, the Company applies the Financial Accounting Standard for Quarterly Financial Statements (Financial Accounting Standard No. 12) and the Application Guidelines for the Financial Accounting Standard for Quarterly Financial Statements (Financial Accounting Standard Application Guideline No. 14). The Company prepares consolidated quarterly financial statements in accordance with the Rules Concerning the Preparation of Quarterly Consolidated Financial Statements.

(4) Notes concerning going-concern assumption: None.

(5) Segment data by business type

Current 2 nd quarter (April 1 to September 30, 2008)							
	Aviation-related	Corporate solutions	Travel retail	Food & Beverage	Total	Elimination or unallocated amount	(thousand yen) Consolidated
Net sales							
1. External customers	17,056,167	8,811,709	22,075,165	9,549,644	57,492,686	-	57,492,686
2. Inter-segment internal sales / transfers	5,377	39,072	4,240	17,703	66,393	(66,393)	-
Total	17,061,545	8,850,781	22,079,405	9,567,347	57,559,079	(66,393)	57,492,686
Operating expenses	16,309,005	8,079,403	21,442,700	9,230,034	55,061,143	1,523,605	56,584,749
Operating income	752,539	771,377	636,705	337,313	2,497,936	(1,589,998)	907,937

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, Machinery/Facilities, Materials, Cabin service supply, Textiles supply, Clothing/Uniform |
| (2) Corporate solutions | ---- | Printing, Insurance, Real estate, Property management |
| (3) Travel retail | ---- | Cabin service supply, Brand/Fashion, Mail-order sales, Overseas real estate, Souvenir/Specialty goods, Restaurant, Duty-free items |
| (4) Food & Beverage | ---- | Agricultural & marine products, Processed foods, Wine, Food gift items |

3. For operating expenses in the current first quarter, non-allocatable operating expense included in the elimination or unallocated amount totalled 1,583 million yen. The main reason was costs relating to the Management Department including General Affairs Division at the parent company's headquarters.

4. Change in business categories

In a reorganization effort dated June 18, 2008, the Company reorganized part of its existing business divisions. Based on a concept that judges sales strategies and sales activities from the perspective of the receiving markets, the so-called "market-in concept," the Company formed a Corporate Sales Division and a Retail Business Division, respectively centered on the BtoB business and BtoC business. At the same time, based on a review of divisions' merchandise by product affiliation and sales format, the Company changed its segment categories from the previous aviation-related business, lifestyle services business, and customer services business, to the four categories of aviation-related business, corporate solutions business, travel retail business, and the food & beverage business.

Segment information by business category for the first quarter of the previous fiscal year are shown below based on the new categories used in the period under review.

Previous 2 nd quarter (April 1 to September 30, 2007) (thousand yen)							
	Aviation-related	Corporate solutions	Travel retail	Food & Beverage	Total	Elimination or unallocated amount	Consolidated
Net sales							
1. External customers	20,115,373	9,193,627	22,269,361	9,045,440	60,623,803	-	60,623,803
2. Inter-segment internal sales / transfers	1,634	42,765	3,367	42,824	90,591	(90,591)	-
Total	20,117,008	9,236,393	22,272,729	9,088,264	60,714,395	(90,591)	60,623,803
Operating expenses	19,222,204	8,340,247	21,333,316	8,866,482	57,762,250	1,602,974	59,365,225
Operating income	894,803	896,145	939,413	221,782	2,952,145	(1,693,566)	1,258,578

(6) Notes in case of a material change in shareholders' equity. : None.

[Notes]

Quarterly Consolidated Financial Statements

(1) Consolidated Income Statement

(thousand yen)

Account	Previous interim (Apr. 1, 2007 to Sep. 30, 2007)		Composi- tion rate (%)
	Amount		
I Net sales		60,623,803	100.0
II Cost of sales		48,629,239	80.2
Gross profit		11,994,564	19.8
III Selling, general and administrative expenses			
1. Packing and transportation expenses	442,877		
2. Payroll allowance	4,046,752		
3. Employee retirement expenses	109,566		
4. Rent expenses	2,394,870		
5. Depreciation	334,304		
6. Addition to reserve for compensation to retired directors	32,999		
7. Other	3,374,615	10,735,986	17.7
Operating income		1,258,578	2.1
IV Non-Operating income			
1. Interest income	18,155		
2. Dividends	13,816		
3. Exchange gain	72,429		
4. Group insurance dividends	10,410		
5. Agency commissions	23,993		
6. Other	56,572	195,377	0.3
v Non-Operating expenses			
1. Interest paid	70,391		
2. Equity in losses of affiliates	33,624		
3. Commission paid	7,529		
4. Other	7,404	118,950	0.2
Ordinary income		1,335,004	2.2

(thousand yen)

Account	Previous interim (Apr. 1, 2007 to Sep. 30, 2007)		Composi- tion rate (%)
	Amount		
VI Extraordinary profit			
1. Gain on sales of investment securities	19,999		
2. Reversal of allowance for doubtful receivables	1,102		
3. Accrued directors' retirement benefits	15,010		
4. Other	3,588	39,700	0.1
VII Extraordinary loss			
1. Fixed asset disposal losses	56,983		
2. Loss on revaluation of investments in securities	33,110		
3. Fixed asset impairment losses	35,592	125,686	0.2
Net income before adjustment of taxes, etc.		1,249,019	2.1
Corporate income taxes, resident taxes, etc.	404,208		
Deferred income taxes	210,575	614,783	1.0
Minority interest in income of consolidated subsidiaries		90,678	0.2
Net income		543,557	0.9

(2) Consolidated cash flow statement

(thousand yen)

	Previous interim (Apr. 1, 2007 to Sep. 30, 2007)
Account	Amount
I Cash flows from operating activities	
1. Net income before adjustment of taxes, etc.	1,249,019
2. Depreciation	536,583
3. Decrease in doubtful debt reserve	(11,360)
4. Decrease in addition to reserve for compensation to retired directors	(54,147)
5. Increase (decrease) in employee retirement expenses	(77,985)
6. Interest and dividends received	(31,971)
7. Interest paid	70,391
8. Exchange gain or loss	10,707
9. Equity in earnings of affiliates	33,624
10. Loss on retirement of fixed assets	56,983
11. Fixed asset impairment losses	35,592
12. Gain on sales of investment securities	(19,999)
13. Loss on evaluation of investment securities	33,110
14. Increase in prepaid pension cost	(285,854)
15. Increase (decrease) in accounts receivable	1,118,507
16. Increase in inventories	(746,218)
17. Increase (decrease) in accounts payable	51,070
18. Increase in advance payments	1,119,798
19. Increase in advance payments received	(746,801)
20. Other	30,315
Subtotal	2,371,366
21. Interest and dividends received	50,696
22. Interest paid	(73,122)
23. Corporate taxes paid	(690,093)
Net cash provided by operating activities	1,658,847

(thousand yen)

	Previous interim (Apr. 1, 2007 to Sep. 30, 2007)
Account	Amount
II Cash flows from investing activities	
1. Payments for acquisition of property, plant and equipment	(243,244)
2. Proceeds from sales of property, plant and equipment	2,887
3. Payments for acquisition of intangible fixed assets	(377,510)
4. Payments for acquisition of securities and investment securities	(119)
5. Proceeds from sales of securities and investment securities	20,000
6. Expense for loans	(3,503)
7. Proceeds from loan collection	93,365
8. Payments for term deposits	(100,916)
9. Expense for increase in long-term rental deposits	(35,662)
10. Income from decrease in long-term rental deposits	11,735
11. Increase in restrictive deposits	(5,427)
12. Other	(35,466)
Net cash provided by (used for) investing activities	(673,863)
III Cash flows from financing activities	
1. Net increase (decrease) in short-term debt	(465,107)
2. Payments for long-term debt	(599,486)
3. Dividends paid	(382,741)
4. Dividends paid to minority shareholders	(120,000)
5. Other	(2,505)
Net cash provided by (used for) financing activities	(1,569,840)
IV Conversion effect on cash and cash equivalents	4,625
v Net increase in cash and cash equivalents	(580,230)
VI Cash and cash equivalents at beginning of period	5,646,173
VII Cash and cash equivalents at end of period	5,065,942

(3) Segment data by business type

Previous interim (Apr. 1, 2007 to Sep. 30, 2007)						
(thousand yen)						
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
Net sales						
1. External customers	23,711,937	15,327,709	21,584,156	60,623,803	-	60,623,803
2. Inter-segment internal sales / transfers	617,664	52,885	-	670,550	(670,550)	-
Total	24,329,601	15,380,595	21,584,156	61,294,353	(670,550)	60,623,803
Operating expenses	23,215,786	14,865,288	20,137,355	58,218,431	1,146,794	59,365,225
Operating income	1,113,814	515,306	1,446,801	3,075,922	(1,817,344)	1,258,578

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, machinery, equipment & materials, cabin service supplies, in-flight sales, and textile supplies (consulting service and supporting work, wholesale business, etc.)
- (2) Lifestyle services ----- General merchandise, agricultural & marine products, processed foods, food gift items, wine & liquor, and creative design & printing (catalog sales, Web sites, wholesale business, etc.)
- (3) Customer services ----- 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 1,816 million yen. The main reason was costs relating to the administrative division of the General Affairs department at the parent company's headquarters.