Report of Independent Auditors

The Board of Directors
JALUX Inc.

We have audited the accompanying consolidated balance sheets of JALUX Inc. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for the three years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JALUX Inc. and consolidated subsidiaries at March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the three years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2, effective the fiscal year ended March 31, 2005, JALUX Inc. and its consolidated subsidiaries adopted early a new accounting standard for impairment of fixed assets as early adoption of the standard was permitted from the fiscal year ended March 31, 2004.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young Shin Nihon

June 22, 2005

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2005	2004	2005
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and time deposits	¥ 5,218,478	¥ 4,130,377	$ 48,771
Notes and accounts receivable *(Notes 16 and 17)*:			
Trade	10,961,620	8,099,154	102,445
Parent	2,843	3,925,984	27
Unconsolidated subsidiary and affiliates	49,495	45,942	463
Other	1,194,792	1,123,597	11,166
Allowance for doubtful accounts	(33,777)	(34,876)	(316)
Inventories	5,210,814	5,115,801	48,699
Deferred income taxes *(Note 10)*	424,203	412,545	3,965
Other *(Note 17)*	1,766,699	1,249,858	16,511
Total current assets	24,795,171	24,068,386	231,731
Investments and advances:			
Unconsolidated subsidiary and affiliates	1,987,501	1,860,858	18,575
Other *(Note 5)*	294,521	255,083	2,753
Total investments and advances	2,282,023	2,115,942	21,327
Property and equipment *(Note 7)*:			
Land	388,772	445,033	3,633
Buildings and structures	4,260,217	4,385,208	39,815
Machinery and vehicles	549,354	556,730	5,134
Flight equipment	2,241,948	3,015,537	20,953
Construction in process	19,188	25,363	179
Other	697,467	625,367	6,518
	8,156,949	9,053,242	76,233
Accumulated depreciation	(3,484,944)	(4,404,618)	(32,570)
Property and equipment, net	4,672,005	4,648,623	43,664
Intangible assets:			
Software	454,253	463,680	4,245
Other	37,584	76,905	351
Total intangible assets	491,838	540,586	4,597
Long-term loans	499,693	1,395,753	4,670
Deposits for business space *(Note 17)*	1,793,931	2,357,550	16,766
Deferred income taxes *(Note 10)*	382,316	317,633	3,573
Other assets, net	247,716	262,279	2,315
	¥35,164,696	¥35,706,754	$328,642

	March 31,		
	2005	2004	2005
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Liabilities and stockholders' equity			
Current liabilities:			
Short-term borrowings *(Notes 7 and 17)*	¥ 1,778,187	¥ 1,986,723	$ 16,619
Current portion of long-term debt *(Note 7)*	1,580,510	1,282,069	14,771
Notes and accounts payable *(Note 16)*:			
Trade	10,260,355	11,555,793	95,891
Parent	–	224,500	–
Unconsolidated subsidiary and affiliates	602,772	532,121	5,633
Accrued expenses	2,141,546	2,407,207	20,014
Accrued income taxes *(Note 10)*	805,075	647,475	7,524
Other	2,373,139	1,707,154	22,179
Total current liabilities	19,541,588	20,343,046	182,632
Long-term debt *(Notes 7 and 16)*	2,758,646	3,881,290	25,782
Accrued pension and severance costs *(Note 8)*	329,100	212,202	3,076
Directors' and statutory auditors' retirement benefits	174,950	139,452	1,635
Other	10,277	27,433	96
Minority interests	733,930	626,225	6,859
Commitments and contingent liabilities *(Notes 12 and 13)*			
Stockholders' equity *(Note 11)*:			
Common stock, without par value:			
Authorized: 20,000,000 shares			
Issued: 12,775,000 shares in 2005 and 2004	2,558,550	2,558,550	23,912
Capital surplus	711,296	711,260	6,648
Retained earnings	8,608,902	7,448,233	80,457
Net unrealized gain on other securities, net of taxes *(Note 5)*	10,413	8,053	97
Translation adjustments	(263,946)	(242,130)	(2,467)
Common stock in treasury: 14,179 shares in 2005 and 13,209 shares in 2004	(9,013)	(6,863)	(84)
Total stockholders' equity	11,616,202	10,477,102	108,563
	¥35,164,696	¥35,706,754	$328,642

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended March 31,			
	2005	**2004**	**2003**	**2005**
	(Thousands of yen)			*(Thousands of U.S. dollars) (Note 3)*
Operating revenues *(Notes 15 and 17)*	¥98,622,995	¥86,089,991	¥86,867,003	$921,710
Operating expenses *(Notes 15 and 17)*:				
Cost of sales	75,549,297	65,845,097	67,402,869	706,068
Selling, general and administrative expenses	20,332,031	18,163,531	17,627,788	190,019
	95,881,328	84,008,629	85,030,657	896,087
Operating income	2,741,667	2,081,362	1,836,346	25,623
Non-operating income (expenses):				
Interest income	42,343	40,830	14,233	396
Interest expense	(69,082)	(75,929)	(94,175)	(646)
Equity in earnings of affiliates	78,921	84,847	85,374	738
Other, net *(Note 9)*	57,259	101,954	210,478	535
	109,441	151,702	215,911	1,023
Income before income taxes and minority interests	2,851,108	2,233,064	2,052,257	26,646
Income taxes *(Note 10)*:				
Current	1,349,346	1,207,818	1,048,840	12,611
Deferred	(78,800)	(166,573)	(159,619)	(736)
	1,270,546	1,041,244	889,221	11,874
Minority interests	(144,891)	(106,409)	(130,036)	(1,354)
Net income	¥ 1,435,670	¥ 1,085,411	¥ 1,032,999	$ 13,417

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Stockholders' Equity

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on other securities, net of taxes *(Note 5)*	Translation adjustments	Common stock in treasury	Total
					(Thousands of yen)			
Balance at March 31, 2002	12,250,000	¥2,558,550	¥661,250	¥5,309,269	¥ 3,632	¥ 86,606	¥ (535)	¥ 8,618,773
Net income for the year ended March 31, 2003				1,032,999				1,032,999
Cash dividends				(183,735)				(183,735)
Bonuses to directors and statutory auditors				(10,250)				(10,250)
Net change during the year					(14,667)	(157,458)	(4,312)	(176,438)
Balance at March 31, 2003	12,250,000	2,558,550	661,250	6,148,284	(11,034)	(70,852)	(4,847)	9,281,349
Net income for the year ended March 31, 2004				1,085,411				1,085,411
Cash dividends				(195,960)				(195,960)
Bonuses to directors and statutory auditors				(11,690)				(11,690)
Increase resulting from merger	525,000		50,000	422,186				472,186
Other			10		19,088	(171,277)	(2,016)	(154,195)
Balance at March 31, 2004	12,775,000	2,558,550	711,260	7,448,232	8,053	(242,130)	(6,863)	10,477,102
Net income for the year ended March 31, 2005				1,435,670				1,435,670
Cash dividends				(255,439)				(255,439)
Bonuses to directors and statutory auditors				(19,562)				(19,562)
Other			36		2,360	(21,816)	(2,149)	(21,568)
Balance at March 31, 2005	12,775,000	¥2,558,550	¥711,296	¥8,608,902	¥ 10,413	¥(263,946)	¥(9,013)	¥11,616,202

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on other securities, net of taxes *(Note 5)*	Translation adjustments	Common stock in treasury	Total
					(Thousands of U.S. dollars) (Note 3)			
Balance at March 31, 2004	12,775,000	$23,912	$6,647	$69,610	$75	$(2,263)	$(64)	$ 97,917
Net income for the year ended March 31, 2005				13,417				13,417
Cash dividends				(2,387)				(2,387)
Bonuses to directors and statutory auditors				(183)				(183)
Other			0		22	(204)	(20)	(202)
Balance at March 31, 2005	12,775,000	$23,912	$6,648	$80,457	$97	$(2,467)	$(84)	$108,563

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

	Year ended March 31, 2005	2004	2003	2005
	(Thousands of yen)			*(Thousands of U.S. dollars) (Note 3)*
Operating activities				
Income before income taxes and minority interests	¥ 2,851,108	¥ 2,233,064	¥ 2,052,257	$ 26,646
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	634,346	637,524	662,914	5,928
Provision for allowance for doubtful accounts	(9,234)	55,672	(28,663)	(86)
Net provision for accrued pension and severance costs	116,898	103,106	92,867	1,093
Interest and dividend income	(80,618)	(96,150)	(58,411)	(753)
Interest expense	69,082	75,929	94,175	646
Exchange (gain) loss, net	(3,192)	777	(2,575)	(30)
Equity in earnings of affiliates	(78,921)	(84,847)	(85,374)	(738)
(Gain) loss on sales of, and loss on disposal of property and equipment	(81,246)	(262,686)	(177,219)	(759)
Impairment losses on fixed assets	123,340	–	–	1,153
Gain on sales of investments in securities	(15,995)	(123,114)	(1,446)	(149)
Loss on revaluation of investments in securities	–	7,800	12,750	–
Decrease (increase) in notes and accounts receivable	979,608	(702,146)	(1,063,729)	9,155
(Increase) decrease in inventories	(101,030)	197,212	383,445	(944)
(Decrease) increase in notes and accounts payable	(1,445,848)	1,074,175	(893,968)	(13,513)
Increase (decrease) in bad debts on receivables	47,587	(60,172)	59,874	445
Payments of bonuses to directors and statutory auditors	(20,570)	(12,950)	(11,550)	(192)
Other, net	248,558	(438,441)	124,867	2,323
Subtotal	3,233,873	2,604,753	1,160,213	30,223
Interest and dividends received	94,819	107,875	64,691	886
Interest paid	(66,912)	(80,123)	(90,570)	(625)
Income taxes paid	(1,260,408)	(1,157,629)	(872,200)	(11,780)
Net cash provided by operating activities	2,001,372	1,474,876	262,133	18,704
Investing activities				
Purchases of property and equipment	(699,801)	(836,715)	(1,459,471)	(6,540)
Proceeds from sales of property and equipment	243,822	494,320	197,040	2,279
Purchases of intangible assets	(119,932)	(218,370)	(215,521)	(1,121)
Purchases of investments in subsidiaries	(50,000)	–	–	(467)
Purchases of investments in securities	(51,264)	–	(51,116)	(479)
Proceeds from sales of investments in securities	78,376	202,457	61,256	732
Purchases of investments in capital	(50,000)	(50,000)	–	(467)
Long-term loans receivable made	(121,685)	(2,800)	(714,456)	(1,137)
Collection of long-term loans	612,942	128,502	716,141	5,728
Purchases of time deposits	–	(10,002)	(14,711)	–
Proceeds from maturity of time deposits	272	10,000	160,000	3
Increase in deposits for business space	(100,934)	(93,103)	(78,354)	(943)
Decrease in deposits for business space	700,135	44,387	285,443	6,543
Other, net	(56,009)	120,050	(32,809)	(523)
Net cash used in investing activities	385,922	(211,273)	(1,146,559)	3,607
Financing activities				
(Decrease) increase in short-term borrowings	(258,160)	19,177	(49,978)	(2,413)
Proceeds from long-term loans	468,900	2,484,280	1,439,650	4,382
Repayment of long-term loans	(1,288,953)	(2,817,850)	(725,930)	(12,046)
Redemption of bonds	–	(350,000)	–	–
Dividends paid to stockholders	(255,439)	(195,960)	(183,735)	(2,387)
Dividends paid to minority interests	(36,000)	(36,000)	(36,000)	(336)
Other, net	(1,868)	(3,189)	(1,753)	(17)
Net cash (used in) provided by financing activities	(1,371,520)	(899,542)	442,252	(12,818)
Effect of exchange rate changes on cash and cash equivalents	12,875	5,753	(1,991)	120
Net increase (decrease) in cash and cash equivalents	1,028,649	369,814	(444,165)	9,614
Cash and cash equivalents at beginning of the year	4,106,222	3,523,755	3,967,921	38,376
Increase in cash and cash equivalents resulting from merger	–	212,651	–	–
Cash and cash equivalents at end of the year	¥ 5,134,871	¥ 4,106,222	¥ 3,523,755	$ 47,989

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2005

1. Summary of Significant Accounting Policies

a. Basis of preparation

JALUX Inc. (the "Company") and its consolidated domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and its consolidated foreign subsidiaries, in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency as required by the Securities and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside Japan.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year's classification except for the effects with respect to the adoption of new accounting standards.

b. Principles of consolidation and accounting for investments in unconsolidated subsidiary and affiliates

The consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

The balance sheet date of three of the consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary, for the respective years.

The differences between the cost and the fair value of net assets at the dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are amortized by the straight-line method over a period of 5 years.

All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions have been eliminated.

1. Summary of Significant Accounting Policies (continued)

c. Securities

Securities except for investments in an unconsolidated subsidiary and affiliates are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of stockholders' equity, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the average method.

d. Derivatives

Derivatives positions are stated at fair value.

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Foreign receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met. In addition, the related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of the swap agreements as an adjustment of interest expense on the hedged items if certain conditions are met.

e. Inventories

Inventories are stated at cost determined as follows:

Merchandise	–	principally by the first-in, first-out method
Real estate for sale	–	by the specific identification method
Supplies for aircraft cabins	–	by the most recent purchase price method

f. Property and equipment

Property and equipment is stated at cost and depreciation is computed as follows:

Flight equipment:

Depreciation of flight equipment used as leased property is computed by the 150% declining-balance method, which is the same method as the Modified Accelerated Cost Recovery System ("MACRS") in the U.S., based on the lease term and the estimated residual value. Under MACRS, the 150% declining-balance method is changed to the straight-line method when the amount of depreciation calculated by the 150% declining-balance method falls below the amount of depreciation available if calculated by the straight-line method.

1. Summary of Significant Accounting Policies (continued)

f. Property and equipment (continued)

Other property and equipment:

For the Company and the consolidated domestic subsidiaries, depreciation of the shops in airports is computed principally by the straight-line method and depreciation of other property and equipment is computed principally by the declining-balance method based on the useful lives stipulated in the Corporation Tax Law of Japan. The consolidated foreign subsidiaries principally adopt the straight-line method based on the estimated useful lives of the respective assets.

g. Software

Computer software intended for internal use is amortized by the straight-line method based on their estimated useful life.

h. Discounts on bonds

Discounts on bonds are amortized over a period of 5 years.

i. Accrued pension and severance costs

To provide for employees' severance indemnities and pension payments, net periodic pension and severance costs are computed based on the projected benefit obligation and the pension plan assets.

The unrecognized benefit obligation at transition is being amortized by the straight-line method principally over a period of 5 years.

The adjustment incurred during this fiscal year arising from revisions to the actuarial assumptions (the "actuarial assumption adjustment") is to be amortized by the straight-line method beginning the following fiscal year over a period of 5 years, which is less than the average remaining years of service of the active participants in the plans.

j. Directors' and statutory auditors' retirement benefits

Reserve for directors' and statutory auditors' retirement benefits is provided at the amount which would have been paid had all directors and statutory auditors resigned at the year end.

k. Foreign currency translation

Foreign currency receivables and payables are translated into yen at the applicable year-end exchange rates and translation adjustments are included in current earnings.

Translation adjustments arising from the translation of assets, liabilities, revenues and expenses of consolidated foreign subsidiaries and affiliates accounted for by the equity method into yen at the applicable year-end exchange rates are presented as minority interests and a separate component of stockholders' equity.

1. Summary of Significant Accounting Policies (continued)

l. Leases (As lessee)

The Company and its consolidated subsidiaries lease certain equipment under noncancelable leases referred to as financing leases. At the Company and the domestic subsidiaries, financing leases which do not transfer the ownership of the leased property to the lessee are principally accounted for as operating leases.

m. Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a financial period is made by resolution of the stockholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such appropriations.

n. Cash equivalents

The Company and its consolidated subsidiaries define cash equivalents as highly liquid, short-term investments with an original maturity of three months or less.

2. Accounting Change

Impairment of fixed assets

A new Japanese accounting standard "Impairment of Fixed Assets" was issued in August 2002 that is effective for fiscal years beginning on or after April 1, 2005. Early adoption is allowed from fiscal years beginning on or after April 1, 2004 and an application from fiscal years ending March 31, 2004 to March 30, 2005 is also permitted. The new standard requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their income statement if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset.

Effective the fiscal year ended March 31, 2005, the Company and its consolidated subsidiaries opted for an early adoption of the new accounting standard for the impairment of fixed assets. The effect of adoption of this standard was to recognize an impairment loss of ¥123,340 thousand ($1,153 thousand). As a result, income before income taxes decreased by ¥123,340 thousand ($1,153 thousand).

After the recognition of the impairment loss, "fixed assets" represents the total recoverable amount which is stated at the carrying amount less the accumulated impairment loss. See Note 15 for the effective of the loss on impairment of fixed assets on the segment information.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥107.00 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2005, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. Cash Flow Information

The components of cash and cash equivalents are summarized as follows:

	March 31,		
	2005	**2004**	**2005**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Cash and time deposits	¥5,218,478	¥4,130,377	$48,771
Time deposits with maturities of more than three months	(23,140)	(23,323)	(216)
Credit balances of current accounts included in short-term bank loans	(61,227)	(1,019)	(572)
Current assets – other (Deposits Paid)	760	186	7
	¥5,134,871	¥4,106,222	$47,989

The following is a summary of the assets and liabilities which the Company taken over as a result of the merger with JAS TRADING CO, LTD. ("JTR") for the year ended March 31, 2004:

	March 31, 2004
	(Thousands of yen)
Current assets	¥1,540,835
Noncurrent assets	1,006,249
Total assets	2,547,085
Current liabilities	2,023,379
Noncurrent liabilities	51,518
Total liabilities	¥2,074,898

As a result of the merger with JTR, capital surplus at March 31, 2004 increased by ¥50,000 thousand.

5. Fair Value of Securities

The Company and its consolidated subsidiaries did not possess any trading securities or held-to-maturity securities at March 31, 2005 and 2004. Securities classified as other securities have been included in "investments and advances – other" in the accompanying consolidated balance sheets at March 31, 2005 and 2004.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2005 and 2004 are summarized as follows:

	March 31, 2005		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	(Thousands of yen)		
Unrealized gain:			
Stocks	¥20,709	¥47,643	¥26,933
Bonds:			
Government bonds	7,162	8,504	1,341
Other	3,794	4,114	319
	31,666	60,261	28,595
Unrealized loss:			
Stocks	9,187	8,480	(706)
	9,187	8,480	(706)
Total	¥40,854	¥68,742	¥27,888

	March 31, 2005		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Unrealized gain:			
Stocks	$194	$445	$252
Bonds:			
Government bonds	67	79	13
Other	35	38	3
	296	563	267
Unrealized loss:			
Stocks	86	79	(7)
	86	79	(7)
Total	$382	$642	$261

5. Fair Value of Securities (continued)

	March 31, 2004		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	(Thousands of yen)		
Unrealized gain:			
Stocks	¥13,512	¥39,419	¥25,907
Bonds:			
Government bonds	7,162	8,859	1,697
Other	3,791	4,037	246
	24,466	52,317	27,851
Unrealized loss:			
Stocks	16,384	15,240	(1,143)
	16,384	15,240	(1,143)
Total	¥40,850	¥67,558	¥26,707

Non-marketable securities classified as other securities at March 31, 2005 and 2004 amounted to ¥125,728 thousand ($1,175 thousand) and ¥137,475 thousand, respectively.

Proceeds from sales of securities classified as other securities amounted to ¥28,112 thousand ($263 thousand), ¥202,457 thousand and ¥61,257 thousand with an aggregate gain of ¥15,995 thousand ($149 thousand), ¥123,114 thousand and ¥1,446 thousand and an aggregate loss of nil for the years ended March 31, 2005, 2004 and 2003, respectively.

The redemption schedule for securities with maturity dates which were classified as other securities as of March 31, 2005 and 2004 are summarized as follows:

	March 31, 2005	
	Due in one year or less	Due after one year through five years
	(Thousands of yen)	
Bonds:		
Government bonds	¥ –	¥ 7,500
Other:		
Investment trusts	–	4,114
Total	¥ –	¥11,614

	March 31, 2005	
	Due in one year or less	Due after one year through five years
	(Thousands of U.S. dollars)	
Bonds:		
Government bonds	$ –	$ 70
Other:		
Investment trusts	–	38
Total	$ –	$109

5. Fair Value of Securities (continued)

	March 31, 2004	
	Due in one year or less	Due after one year through five years
	(Thousands of yen)	
Bonds:		
Government bonds	¥ –	¥ 7,500
Other:		
Investment trusts	–	4,037
Total	¥ –	¥11,537

6. Impairment of Fixed Assets

For the year ended March 31, 2005, the Company and its domestic consolidated subsidiaries recognized impairment losses on fixed assets of ¥123,340 thousand ($1,153 thousand) which consisted of the following:

Location	Use	Classification	Years ended March 31, 2005	2005
			(Thousands of yen)	*(Thousands of U.S. dollars)*
Izumisano-shi, Osaka and other 6 shops	Airport shop	Furniture and other	¥72,017	$673
Ito-shi, Shizuoka	Unused assets	Land	51,322	480

Assets are classification into groups based on their business segment as cash-generation units which are defined as the smallest identifiable group of assets which generate cash inflows and which are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss on airport shops was recognized due to significant decrease in expected future cash flows on the medium-range strategy plan decided in March 2005. An impairment loss on unused assets was recognized as a recovery in market value is not expected and because certain assets have been scheduled for disposal.

The recoverable amount of airport shops was measured by their usage value and future cash flows at a discount rate of 8.1%. The recoverable amount of the unused assets was measured by the net realized value based on the buying and selling transaction prices.

7. Short-Term Borrowings and Long-Term Debt

The weighted average interest rates on short-term borrowings outstanding at March 31, 2005 and 2004 were 2.01% and 0.84%, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	March 31,		
	2005	2004	2005
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Loans with collateral, due 2004 to 2010, at rates ranging from 3.84% to 7.91%	¥ 1,639,587	¥ 2,121,388	$ 15,323
Loans without collateral, due 2004 to 2013, at rates ranging from 1.20% to 1.62%	2,398,500	2,778,500	22,416
Other	301,070	263,472	2,814
	4,339,157	5,163,360	40,553
Less current portion of long-term debt	(1,580,510)	(1,282,069)	(14,771)
	¥ 2,758,646	¥ 3,881,290	$ 25,782

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

Year ending March 31,	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
2006	¥1,580,510	$14,771
2007	962,538	8,996
2008	672,657	6,287
2009	406,339	3,798
2010 and thereafter	717,110	6,702
	¥4,339,157	$40,553

Assets pledged as collateral for long-term debt at March 31, 2005 and 2004 are summarized as follows:

	March 31,		
	2005	2004	2005
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Land	¥ 175,056	¥ 78,656	$ 1,636
Buildings and structures, net of accumulated depreciation	1,126,923	1,370,575	10,532
Flight equipment, net of accumulated depreciation	1,058,065	1,221,368	9,888
	¥2,360,044	¥2,670,600	$22,056

8. Accrued Pension and Severance Costs

An employee whose employment is terminated is entitled, in most cases, to pension payments or lump-sum severance indemnities, the amounts of which are determined by reference to the basic rate of pay, length of service and the conditions under which the termination occurs.

The Company and the consolidated domestic subsidiaries have principally non-contributory defined pension plans. Certain consolidated foreign subsidiaries have defined contribution pension plans.

The projected benefit obligation and the funded status of the plans including a portion of the governmental welfare pension program were as follows:

	March 31,		
	2005	**2004**	**2005**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Projected benefit obligation	¥(2,661,333)	¥(2,553,307)	$(24,872)
Plan assets	2,137,176	2,051,502	19,974
Accrued pension and severance costs	329,100	212,202	3,076
Net unrecognized amount	¥ (195,055)	¥ (289,602)	$ (1,823)

In computing the projected benefit obligation, several simplified methods are permitted for small companies, and certain of the Company's consolidated subsidiaries have adopted such methods.

The net unrecognized amount was as follows:

	March 31,		
	2005	**2004**	**2005**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Unrecognized benefit obligation at transition	¥ –	¥ (70,477)	$ –
Actuarial assumption adjustment	(195,055)	(219,125)	(1,823)
Net unrecognized amount	¥(195,055)	¥(289,602)	$(1,823)

The components of net periodic pension and severance costs excluding the employees' contributory portion were as follows:

	Year ended March 31,			
	2005	**2004**	**2003**	**2005**
	(Thousands of yen)			*(Thousands of U.S. dollars)*
Service cost	¥137,585	¥133,086	¥124,604	$1,286
Interest cost on projected benefit obligation	62,666	68,545	68,142	586
Expected return on plan assets	(50,858)	(47,166)	(50,227)	(475)
Amortization of unrecognized benefit obligation at transition	70,477	70,477	70,477	659
Amortization of actuarial assumption adjustment	57,372	40,010	13,804	536
Net periodic pension and severance costs	¥277,242	¥264,953	¥226,801	$2,591

8. Accrued Pension and Severance Costs (continued)

The contributions based on the defined contribution pension plans have been charged to income as paid.

Special termination benefits paid but not included in determining the projected benefit obligation are charged to income when paid. The amounts charged to income amounted to ¥77,554 thousand for the year ended March 31, 2003.

The assumptions used were as follows:

	2005	2004
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%

9. Other Income (Expenses)

The components of "Other, net" in "Non-operating income (expenses)" for each of the three years in the period ended Match 31, 2005 were as follows:

	Year ended March 31,			
	2005	2004	2003	2005
	(Thousands of yen)			*(Thousands of U.S. dollars)*
Dividends received	¥ 38,274	¥ 55,320	¥ 44,178	$ 358
Exchange (loss) gain, net	(110,201)	(342,910)	43,490	(1,030)
Gain on sales of property and equipment	237,385	306,203	196,849	2,219
Gain on sales of investments in securities	15,995	123,114	1,446	149
Loss on disposal of property and equipment	(156,139)	(51,981)	(23,734)	(1,459)
Loss on revaluation of investments in securities	–	(7,800)	(12,750)	–
Special termination benefits	–	–	(77,554)	–
Impairment losses on fixed assets	(123,340)	–	–	(1,153)
Loss on advanced repayment of bank loans	–	(47,574)	–	–
Other, net	155,283	67,581	38,553	1,451
	¥ 57,259	¥ 101,954	¥ 210,478	$ 535

10. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	March 31,		
	2005	2004	2005
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued bonuses	¥246,373	¥255,323	$2,303
Elimination of unrecognized gain on intercompany accounts and transactions	67,329	66,475	629
Directors' and statutory auditors' retirement benefits	71,009	56,612	664
Accrued enterprise tax	77,309	64,039	723
Allowance for doubtful accounts	74,732	104,380	698
Accrued pension and severance costs	133,670	86,194	1,249
Impairment losses on fixed assets	57,070	–	533
Other	138,176	157,801	1,291
Subtotal	865,672	790,827	8,090
Valuation allowance	–	–	–
Total deferred tax assets	865,672	790,827	8,090
Deferred tax liabilities:			
Depreciation	(6,668)	(7,178)	(62)
Accumulated earnings of consolidated subsidiaries	(40,627)	(44,007)	(380)
Other	(11,855)	(9,463)	(111)
Total deferred tax liabilities	(59,151)	(60,648)	(553)
Net deferred tax assets	¥806,520	¥730,178	$7,538

The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2003 represented less than 5% of the statutory tax rate. As a result, a reconciliation is not required to be disclosed.

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2005 and 2004 are presented as follows:

	Year ended March 31,	
	2005	2004
Statutory tax rate	40.69%	42.05%
Disallowed expenses, including entertainment expenses	3.08	3.70
Other	0.79	0.88
Effective tax rate	44.56%	46.63%

10. Income Taxes (continued)

Reflecting a change in the local tax rates, the statutory tax rate used in determining deferred tax assets and liabilities has been applied as follows. The current rate (42.05%) has been applied to temporary differences expected to be deducted for tax purposes by the end of March 2004 and the new rate (40.49%) has been applied to those to be utilized after April 2004. As a result of this change, deferred tax assets net of deferred tax liabilities at March 31, 2003 increased by ¥24,609 thousand and income taxes – deferred charged to income for the year decreased by ¥24,691 thousand.

11. Stockholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amount disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the reserve and the additional paid-in capital account, which is included in capital surplus in the consolidated balance sheets, equals 25% of the common stock account. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the stockholders or may be transferred to common stock upon approval by the Board of Directors. The Code further provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the stockholders either as a return of capital or as dividends subject to the approval of the stockholders. The Company's shares of common stock have no par value in accordance with the Code.

Effective April 1, 2002 the Company and its consolidated subsidiaries adopted a new accounting standard for treasury stock and the reduction of legal reserves. The effect of the adoption of this new accounting standard on operating results was immaterial for the year ended March 31, 2003.

12. Leases

As lessee under financing and operating leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property held under financing accounted for as operating leases at March 31, 2005 and 2004, and the related depreciation and interest expense for the years ended March 31, 2005, 2004 and 2003, respectively, which would have been reflected in the consolidated balance sheets and the related consolidated statements of income:

	March 31, 2005		
	Property and equipment – other	Software	Total
	(Thousands of yen)		
Acquisition costs	¥186,846	¥29,103	¥215,949
Less accumulated depreciation	122,972	29,103	152,075
Net book value	¥ 63,873	¥ –	¥ 63,873

12. Leases (continued)

As lessee under financing and operating leases (continued)

	March 31, 2005		
	Property and equipment – other	Software	Total
	(Thousands of U.S. dollars)		
Acquisition costs	$1,746	$272	$2,018
Less accumulated depreciation	1,149	272	1,421
Net book value	$ 597	$ –	$ 597

	March 31, 2004		
	Property and equipment – other	Software	Total
	(Thousands of yen)		
Acquisition costs	¥442,750	¥32,563	¥475,313
Less accumulated depreciation	349,530	26,189	375,719
Net book value	¥ 93,220	¥ 6,373	¥ 99,594

	Year ended March 31,			
	2005	2004	2003	2005
	(Thousands of yen)			*(Thousands of U.S. dollars)*
Depreciation expense	¥56,424	¥83,951	¥122,252	$527
Interest expense	¥ 2,686	¥ 4,511	¥ 7,411	$ 25

Lease expenses relating to the financing leases accounted for as operating leases amounted to ¥60,619 thousand ($567 thousand), ¥91,306 thousand and ¥133,781 thousand for the years ended March 31, 2005, 2004 and 2003, respectively.

Future rental expenses under financing leases accounted for as operating leases outstanding at March 31, 2005 and 2004 are summarized as follows:

	March 31,		
	2005	2004	2005
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥32,466	¥ 53,987	$303
Over 1 year	33,291	48,945	311
	¥65,758	¥102,933	$615

12. Leases (continued)

As lessee under financing and operating leases (continued)

Future rental expenses under operating leases outstanding at March 31, 2005 and 2004 are summarized as follows:

	March 31, 2005	March 31, 2004	2005
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 80,245	¥ 54,094	$ 750
Over 1 year	276,980	324,315	2,589
	¥357,226	¥378,409	$3,339

As lessor under operating leases

Certain consolidated subsidiaries lease equipment under operating leases. Future rental income under operating leases outstanding at March 31, 2005 and 2004 are summarized as follows:

	March 31, 2005	March 31, 2004	2005
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 538,368	¥ 572,506	$ 5,031
Over 1 year	2,543,864	2,830,828	23,774
	¥3,082,232	¥3,403,335	$28,806

As lessee and lessor under subleases

The Company subleases equipment to a third party, and the lease agreements between the two original parties remain in effect. The original and the new lease agreements are operating leases.

Future rental revenues as lessor under the new lease agreements outstanding at March 31, 2005 and 2004 are summarized as follows:

	March 31, 2005	March 31, 2004	2005
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 526,037	¥47,686	$ 4,916
Over 1 year	4,216,538	43,803	39,407
	¥4,742,576	¥91,490	$44,323

12. Leases (continued)

As lessee and lessor under subleases (continued)

Future rental expenses as lessee under the original lease agreements outstanding at March 31, 2005 and 2004 are summarized as follows:

	March 31,		
	2005	2004	2005
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 575,177	¥46,664	$ 5,375
Over 1 year	4,846,103	42,879	45,291
	¥5,421,281	¥89,543	$50,666

13. Contingent Liabilities

Contingent liabilities

The Company received complaints from Cecile Co., Ltd. dated October 8, 2004 for the damage based on the default of obligation and misfeasance regarding the pouch-packed curry which the Company had sold to Cecile Co., Ltd. amounted to ¥142,281 thousand ($1,330 thousand), and complaints from BELLUNA CO., LTD. dated March 18, 2005 for the damage based on default of obligation regarding the pouch-packed curry which the Company had sold to BELLUNA CO., LTD. amounted to ¥300,000 thousand ($2,804 thousand).

The Company considers that those allegations have no reasonable basis and intend to defend against them. However, the outcome of these lawsuits may affect adversely to the consolidated financial statements of the Company.

14. Amounts Per Share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. The Company and its consolidated subsidiaries have not issued any potentially dilutive stocks during either year. Accordingly, fully diluted net income per share and basic net income per share for the years ended March 31, 2005, 2004 and 2003 were the same.

	Year ended March 31,			
	2005	2004	2003	2005
		(Yen)		*(U.S. dollars)*
Net income per share	¥110.62	¥86.21	¥83.62	$1.034

14. Amounts Per Share (continued)

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

	March 31,		
	2005	2004	2005
	(Yen)		(U.S. dollars)
Net assets per share	¥908.11	¥819.13	$8.487

Effective April 1, 2002, the Company and its consolidated subsidiaries adopted a new accounting standard for per share information, under which the amount which is not available to stockholders of shares of common stock is excluded from the calculation of earnings per share. The effect of the adoption of this standard was not significant. No prior year earnings per share amounts have been restated and therefore, the basis of computation of per share information for 2002 has not been presented.

The following table sets forth the basis of the computation of net income per share for the year ended March 31, 2005 and 2004:

	Year ended March 31,			
	2005	2004	2003	2005
	(Thousands of yen, except share)			(Thousands of U.S. dollars, except share)
Net income	¥1,435,670	¥1,085,411	¥1,032,999	$13,417
Less: appropriation of bonuses to directors and statutory auditors	(24,006)	(19,195)	(9,549)	(224)
Net income available to stockholders of shares of common stock	¥1,411,664	¥1,066,216	¥1,023,449	$13,193
Weighted average number of shares of common stock outstanding	12,761,085	12,367,114	12,239,538	12,761,085

15. Segment Information

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

Aviation business:

Operations within the Aviation business segment are as follows:

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

Life service business:

Operations within the Life service business segment are as follows:

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

Customer service business:

Operations within the Customer service business segment are as follows:

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

15. Segment Information (continued)

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

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

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

15. Segment Information (continued)

	Year ended March 31, 2004					
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
			(Thousands of yen)			
Sales to outside parties	¥22,219,979	¥27,174,191	¥36,695,820	¥86,089,991	¥ –	¥86,089,991
Inter-segment sales and transfers	716,613	83,201	5,177	804,992	(804,992)	–
Total	22,936,593	27,257,392	36,700,997	86,894,984	(804,992)	86,089,991
Operating expenses	21,331,771	26,586,777	34,343,179	82,261,728	1,746,900	84,008,629
Operating income	¥ 1,604,822	¥ 670,614	¥ 2,357,817	¥ 4,633,255	¥(2,551,892)	¥ 2,081,362
Depreciation and amortization	¥ 308,162	¥ 75,005	¥ 181,590	¥ 564,759	¥ 72,764	¥ 637,524
Capital expenditures	¥ 722,343	¥ 35,992	¥ 465,147	¥ 1,223,483	¥ 88,664	¥ 1,312,148
Identifiable assets	¥10,772,286	¥ 7,208,940	¥12,847,919	¥30,829,146	¥ 4,877,607	¥35,706,754

	Year ended March 31, 2003					
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
			(Thousands of yen)			
Sales to outside parties	¥24,978,580	¥25,575,813	¥36,312,609	¥86,867,003	¥ –	¥86,867,003
Inter-segment sales and transfers	739,670	82,461	4,742	826,874	(826,874)	–
Total	25,718,251	25,658,275	36,317,352	87,693,878	(826,874)	86,867,003
Operating expenses	24,361,508	25,410,897	33,850,766	83,623,172	1,407,485	85,030,657
Operating income	¥ 1,356,743	¥ 247,377	¥ 2,466,586	¥ 4,070,706	¥(2,234,360)	¥ 1,836,346
Depreciation and amortization	¥ 330,858	¥ 69,066	¥ 183,286	¥ 583,211	¥ 79,703	¥ 662,914
Capital expenditures	¥ 931,857	¥ 133,967	¥ 518,842	¥ 1,584,668	¥ 95,067	¥ 1,679,735
Identifiable assets	¥ 9,726,191	¥ 7,335,800	¥10,591,959	¥27,653,951	¥ 5,003,147	¥32,657,099

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

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

15. Segment Information (continued)

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

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

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

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

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

15. Segment Information (continued)

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

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

16. Derivative and Hedging Activities

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

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

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

17. Related Party Transactions

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

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

17. Related Party Transactions (continued)

With Japan Airlines Corporation:

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

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

With Japan Airlines International Co., Ltd.:

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

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

With Japan Airlines Domestic Co., Ltd.:

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

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

17. Related Party Transactions (continued)

With JAL Capital Co., Ltd.:

	Year ended March 31,		
	2005	**2004**	**2005**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Proceeds from short-term borrowings	¥28,500,000	¥31,750,000	$266,355
Repayment of short-term borrowings	29,300,000	30,150,000	273,832
Sales of merchandise	–	573,733	–
Interest expenses	5,116	8,822	48

	March 31,		
	2005	**2004**	**2005**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Short-term borrowings	¥800,000	¥1,600,000	$7,477
Accounts receivable	–	554,719	–

With Fukuoka Airport Building Co., Ltd.:

	Year ended March 31,	
	2005	**2005**
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Operating expenses:		
Rent for office space	¥56	$1

	March 31,	
	2005	**2005**
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Other current assets	¥475,714	$4,446
Deposits for business space	118,200	1,105