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, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of three years in the period ended March 31, 2006, 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, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006 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, 2006 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.

June 23, 2006

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31, 2006	March 31, 2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and time deposits	¥ 4,954,081	¥ 5,218,478	$ 42,343
Notes and accounts receivable *(Notes 16 and 17)*:			
Trade	11,291,926	10,961,620	96,512
Parent	3,626	2,843	31
Unconsolidated subsidiary and affiliates	88,501	49,495	756
Other	2,133,644	1,194,792	18,236
Allowance for doubtful accounts	(43,653)	(33,777)	(373)
Inventories	5,653,412	5,210,814	48,320
Deferred income taxes *(Note 10)*	471,881	424,203	4,033
Other *(Note 17)*	748,897	1,766,699	6,401
Total current assets	25,302,319	24,795,171	216,259
Investments and advances:			
Unconsolidated subsidiaries and affiliates	2,224,261	1,987,501	19,011
Other *(Note 5)*	459,512	294,521	3,927
Total investments and advances	2,683,773	2,282,023	22,938
Property and equipment *(Notes 6 and 7)*:			
Land	412,073	388,772	3,522
Buildings and structures	4,582,931	4,260,217	39,170
Machinery and vehicles	307,458	549,354	2,628
Flight equipment	3,229,398	2,241,948	27,602
Construction in process	51,151	19,188	437
Other	760,305	697,467	6,498
	9,343,319	8,156,949	79,857
Accumulated depreciation	(3,958,383)	(3,484,944)	(33,832)
Property and equipment, net	5,384,936	4,672,005	46,025
Intangible assets:			
Software	293,953	385,763	2,512
Software under development	933,038	68,489	7,975
Other	30,966	37,584	265
Total intangible assets	1,257,958	491,838	10,752
Long-term loans	462,941	499,693	3,957
Deposits for business space *(Note 17)*	1,917,076	1,793,931	16,385
Deferred income taxes *(Note 10)*	342,692	382,316	2,929
Other assets, net	211,715	247,716	1,810
	¥37,563,414	¥35,164,696	$321,055

	March 31,		
	2006	2005	2006
	(Thousands of yen)		(Thousands of U.S. dollars) (Note 3)
Liabilities and stockholders' equity			
Current liabilities:			
Short-term borrowings *(Notes 7 and 17)*	¥ 1,846,696	¥ 1,778,187	$ 15,784
Current portion of long-term debt *(Note 7)*	1,153,966	1,580,510	9,863
Notes and accounts payable *(Note 16)*:			
Trade	11,295,702	10,260,355	96,544
Unconsolidated subsidiaries and affiliates	558,947	602,772	4,777
Accrued expenses	2,267,168	2,141,546	19,378
Accrued income taxes *(Note 10)*	596,344	805,075	5,097
Other	2,238,365	2,373,139	19,131
Total current liabilities	19,957,190	19,541,588	170,574
Long-term debt *(Notes 7 and 16)*	2,967,180	2,758,646	25,361
Accrued pension and severance costs *(Note 8)*	283,616	329,100	2,424
Directors' and statutory auditors' retirement benefits	185,728	174,950	1,587
Deferred income taxes *(Note 10)*	57,027	–	487
Other	6,744	10,277	58
Minority interests	881,358	733,930	7,533
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 2006 and 2005	2,558,550	2,558,550	21,868
Capital surplus	711,363	711,296	6,080
Retained earnings	9,992,376	8,608,902	85,405
Net unrealized gain on other securities, net of taxes *(Note 5)*	22,663	10,413	194
Translation adjustments	(51,101)	(263,946)	(437)
Common stock in treasury: 14,319 shares in 2006 and 14,179 shares in 2005	(9,284)	(9,013)	(79)
Total stockholders' equity	13,224,566	11,616,202	113,030
	¥37,563,414	¥35,164,696	$321,055

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended March 31,			
	2006	**2005**	**2004**	**2006**
		(Thousands of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating revenues *(Notes 15 and 17)*	¥107,952,007	¥98,622,995	¥86,089,991	$922,667
Operating expenses *(Notes 15 and 17)*:				
Cost of sales	84,595,451	75,549,297	65,845,097	723,038
Selling, general and administrative expenses	20,911,898	20,332,031	18,163,531	178,734
	105,507,350	95,881,328	84,008,629	901,772
Operating income	2,444,656	2,741,667	2,081,362	20,894
Non-operating income (expenses):				
Interest income	19,283	42,343	40,830	165
Interest expense	(94,722)	(69,082)	(75,929)	(810)
Equity in earnings of affiliates	108,864	78,921	84,847	930
Other, net *(Notes 6 and 9)*	691,679	57,259	101,954	5,912
	725,104	109,441	151,702	6,197
Income before income taxes and minority interests	3,169,761	2,851,108	2,233,064	27,092
Income taxes *(Note 10)*:				
Current	1,246,151	1,349,346	1,207,818	10,651
Deferred	49,784	(78,800)	(166,573)	426
	1,295,936	1,270,546	1,041,244	11,076
Minority interests	(184,584)	(144,891)	(106,409)	(1,578)
Net income	¥ 1,689,240	¥ 1,435,670	¥ 1,085,411	$ 14,438

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, 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
Net income for the year ended March 31, 2006				1,689,240				1,689,240
Cash dividends				(280,974)				(280,974)
Bonuses to directors and statutory auditors				(24,792)				(24,792)
Other			66		12,250	212,844	(271)	224,889
Balance at March 31, 2006	12,775,000	¥2,558,550	¥711,363	¥9,992,376	¥ 22,663	¥ (51,101)	¥(9,284)	¥13,224,566

	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, 2005	12,775,000	$21,868	$6,079	$73,580	$ 89	$(2,256)	$(77)	$ 99,284
Net income for the year ended March 31, 2006				14,438				14,438
Cash dividends				(2,401)				(2,401)
Bonuses to directors and statutory auditors				(212)				(212)
Other			1		105	1,819	(2)	1,922
Balance at March 31, 2006	12,775,000	$21,868	$6,080	$85,405	$194	$ (437)	$(79)	$113,030

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	2006	2005	2004	2006
	Year ended March 31,			
	(Thousands of yen)			(Thousands of U.S. dollars) (Note 3)
Operating activities				
Income before income taxes and minority interests	¥ 3,169,761	¥ 2,851,108	¥ 2,233,064	$ 27,092
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	696,862	634,346	637,524	5,956
Provision for allowance for doubtful accounts	(15,041)	(9,234)	55,672	(129)
Net provision for accrued pension and severance costs	(45,483)	116,898	103,106	(389)
Interest and dividend income	(55,840)	(80,618)	(96,150)	(477)
Interest expense	94,722	69,082	75,929	810
Exchange (gain) loss, net	(26,545)	(3,192)	777	(227)
Equity in earnings of affiliates	(108,864)	(78,921)	(84,847)	(930)
Loss on changes in equity interest	8,550	–	–	73
Loss (gain) on sales of, and loss on disposal of property and equipment	14,289	(81,246)	(262,686)	122
Impairment losses on fixed assets	26,507	123,340	–	227
Gain on sales of investments in securities	–	(15,995)	(123,114)	–
Loss on revaluation of investments in securities	–	–	7,800	–
(Increase) decrease in notes and accounts receivable	(673,942)	979,608	(702,146)	(5,760)
(Increase) decrease in inventories	(343,115)	(101,030)	197,212	(2,933)
Increase (decrease) in notes and accounts payable	884,319	(1,445,848)	1,074,175	7,558
Increase (decrease) in bad debts on receivables	17,782	47,587	(60,172)	152
Payments of bonuses to directors and statutory auditors	(26,100)	(20,570)	(12,950)	(223)
Other, net	373,634	248,558	(438,441)	3,193
Subtotal	3,991,497	3,233,873	2,604,753	34,115
Interest and dividends received	70,272	94,819	107,875	601
Interest paid	(89,566)	(66,912)	(80,123)	(766)
Income taxes paid	(1,449,779)	(1,260,408)	(1,157,629)	(12,391)
Net cash provided by operating activities	2,522,424	2,001,372	1,474,876	21,559
Investing activities				
Purchases of property and equipment	(1,096,982)	(699,801)	(836,715)	(9,376)
Proceeds from sales of property and equipment	12,022	243,822	494,320	103
Purchases of investment in affiliates	(30,000)	(50,000)	–	(256)
Purchases of intangible assets	(895,550)	(119,932)	(218,370)	(7,654)
Purchases of investments in securities	(262,307)	(51,264)	–	(2,242)
Proceeds from sales of investments in securities	100,280	78,376	202,457	857
Purchases of investments in capital	(5,000)	(50,000)	(50,000)	(43)
Purchases of investments in subsidiaries	(115,561)	–	–	(988)
Long-term loans receivable made	(1,741)	(121,685)	(2,800)	(15)
Collection of long-term loans	465,153	612,942	128,502	3,976
Purchases of time deposits	(243,613)	–	(10,002)	(2,082)
Proceeds from maturity of time deposits	268,628	272	10,000	2,296
Increase in deposits for business space	(82,982)	(100,934)	(93,103)	(709)
Decrease in deposits for business space	28,349	700,135	44,387	242
Other, net	2,563	(56,009)	120,050	22
Net cash (used in) provided by investing activities	(1,856,740)	385,922	(211,273)	(15,870)
Financing activities				
Increase (decrease) in short-term borrowings	5,906	(258,160)	19,177	50
Proceeds from long-term loans	639,602	468,900	2,484,280	5,467
Repayment of long-term loans	(1,192,628)	(1,288,953)	(2,817,850)	(10,193)
Redemption of bonds	–	–	(350,000)	–
Dividends paid to stockholders	(280,974)	(255,439)	(195,960)	(2,401)
Dividends paid to minority interests	(36,990)	(36,000)	(36,000)	(316)
Other, net	(1,381)	(1,868)	(3,189)	(12)
Net cash used in financing activities	(866,466)	(1,371,520)	(899,542)	(7,406)
Effect of exchange rate changes on cash and cash equivalents	12,859	12,875	5,753	110
Net increase (decrease) in cash and cash equivalents	(187,922)	1,028,649	369,814	(1,606)
Cash and cash equivalents at beginning of the year	5,134,871	4,106,222	3,523,755	43,888
Increase in cash and cash equivalents resulting from merger	–	–	212,651	–
Cash and cash equivalents at end of the year	¥ 4,946,949	¥ 5,134,871	¥ 4,106,222	$ 42,282

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2006

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 subsidiaries 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 subsidiaries 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 moving average 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.

1. Summary of Significant Accounting Policies (continued)

k. Reserve for bonuses to officers

From this year, the reserve for bonuses to officers is provided to prepare for the payment of officers' bonus at the estimated amount in accordance with a practical solution report entitled, "Temporary Accounting Treatment for Bonus of Officers" issued on March 9, 2004 by the Accounting Standards Board of Japan. Under this report, bonus to officers are to be expensed as incurred as compared to the former accounting treatment under which they were determined by a resolution of the shareholders at a shareholders' meeting subsequent to the fiscal year end. The effect of the adoption of this guidance was insignificant.

l. 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 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.

m. 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.

n. Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations and disposition. (Refer to Note 11)

o. 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. As a result, income before income taxes and minority interests decreased by ¥123,340 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 ¥117.00 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2006, 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,		
	2006	**2005**	**2006**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Cash and time deposits	¥4,954,081	¥5,218,478	$42,343
Time deposits with maturities of more than three months	(9,186)	(23,140)	(79)
Credit balances of current accounts included in short-term bank loans	(1,774)	(61,227)	(15)
Current assets – other (Deposits Paid)	3,828	760	33
	¥4,946,949	¥5,134,871	$42,282

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, 2006 and 2005. Securities classified as other securities have been included in "investments and advances – other" in the accompanying consolidated balance sheets at March 31, 2006 and 2005.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2006 and 2005 are summarized as follows:

	March 31, 2006		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	(Thousands of yen)		
Unrealized gain:			
Stocks	¥23,279	¥60,230	¥36,951
Bonds:			
Government bonds	7,162	8,060	898
Other	3,798	6,307	2,509
	34,239	74,599	40,359
Unrealized loss:			
Stocks	6,617	5,475	(1,142)
	6,617	5,475	(1,142)
Total	¥40,857	¥80,074	¥39,216

	March 31, 2006		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Unrealized gain:			
Stocks	$199	$515	$316
Bonds:			
Government bonds	61	69	8
Other	32	54	21
	293	638	345
Unrealized loss:			
Stocks	57	47	(10)
	57	47	(10)
Total	$349	$684	$335

5. Fair Value of Securities (continued)

	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

Non-marketable securities classified as other securities at March 31, 2006 and 2005 amounted to ¥292,883 thousand ($2,503 thousand) and ¥125,728 thousand, respectively.

Proceeds from sales of securities classified as other securities amounted to ¥28,112 thousand and ¥202,457 thousand with an aggregate gain of ¥15,995 thousand and ¥123,114 thousand and an aggregate loss of nil for the years ended March 31, 2005 and 2004, respectively.

The redemption schedule for securities with maturity dates which were classified as other securities as of March 31, 2006 and 2005 are summarized as follows:

	March 31, 2006	
	Due after one year through five years	Due after five years through ten years
	(Thousands of yen)	
Bonds:		
Government bonds	¥ –	¥7,500
Other:		
Investment trusts	6,307	–
Total	¥6,307	¥7,500

	March 31, 2006	
	Due in one year or less	Due after one year through five years
	(Thousands of U.S. dollars)	
Bonds:		
Government bonds	$ –	$64
Other:		
Investment trusts	54	–
Total	$54	$64

5. Fair Value of Securities (continued)

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

6. Impairment of Fixed Assets

For the years ended March 31, 2006 and 2005, the Company recognized impairment losses on fixed assets of ¥26,507 thousand ($227 thousand) and ¥123,340 thousand which consisted of the following:

Location	Use	Classification	Year ended March 31, 2006	2005	2006
			(Thousands of yen)		(Thousands of U.S. dollars)
Aomori-shi, Aomori and other 4 shops	Airport shop	Furniture and other	¥26,507	¥ –	$227
Izumisano-shi, Osaka and other 6 shops	Airport shop	Furniture and other	–	72,017	–
Ito-shi, Shizuoka	Unused assets	Land	–	51,322	–

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 2006 and 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.

For the years ended March 31, 2006 and 2005, the recoverable amount of airport shops was measured by their usage value and future cash flows at discount rates of 5.2% and 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, 2006 and 2005 were 3.95% and 2.01%, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	March 31,		
	2006	**2005**	**2006**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Loans with collateral, due 2005 to 2010, at rates ranging from 3.84% to 5.69%	¥ 2,154,305	¥ 1,639,587	$18,413
Loans without collateral, due 2005 to 2013, at rates ranging from 1.20% to 1.49%	1,547,729	2,398,500	13,228
Other	419,112	301,070	3,582
	4,121,147	4,339,157	35,223
Less current portion of long-term debt	(1,153,966)	(1,580,510)	(9,863)
	¥ 2,967,180	¥ 2,758,646	$25,361

The aggregate annual maturities of long-term debt subsequent to March 31, 2006 are summarized as follows:

Year ending March 31,	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
2007	¥1,153,966	$ 9,863
2008	864,095	7,385
2009	592,260	5,062
2010	405,973	3,470
2011 and thereafter	1,104,851	9,443
	¥4,121,147	$35,223

Assets pledged as collateral for long-term debt at March 31, 2006 and 2005 are summarized as follows:

	March 31,		
	2006	**2005**	**2006**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Land	¥ 198,357	¥ 175,056	$ 1,695
Buildings and structures, net of accumulated depreciation	1,351,567	1,126,923	11,552
Flight equipment, net of accumulated depreciation	2,008,356	1,058,065	17,165
	¥3,558,282	¥2,360,044	$30,413

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,		
	2006	**2005**	**2006**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Projected benefit obligation	¥(2,786,977)	¥(2,661,333)	$(23,820)
Plan assets	2,486,934	2,137,176	21,256
Accrued pension and severance costs	283,616	329,100	2,424
Net unrecognized amount	¥ (16,426)	¥ (195,055)	$ (140)

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,		
	2006	**2005**	**2006**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Actuarial assumption adjustment	¥(16,426)	¥(195,055)	$(140)
Net unrecognized amount	¥(16,426)	¥(195,055)	$(140)

8. Accrued Pension and Severance Costs (continued)

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

	Year ended March 31, 2006	2005	2004	2006
	(Thousands of yen)			(Thousands of U.S. dollars)
Service cost	¥151,136	¥137,585	¥133,086	$1,292
Interest cost on projected benefit obligation	65,202	62,666	68,545	557
Expected return on plan assets	(53,116)	(50,858)	(47,166)	(454)
Amortization of unrecognized benefit obligation at transition	–	70,477	70,477	–
Amortization of actuarial assumption adjustment	57,071	57,372	40,010	488
Net periodic pension and severance costs	¥220,293	¥277,242	¥264,953	$1,883

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

The assumptions used were as follows:

	2006	2005
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, 2006, 2005 and 2004 were as follows:

	Year ended March 31, 2006	2005	2004	2006
	(Thousands of yen)			(Thousands of U.S. dollars)
Dividends received	¥ 36,556	¥ 38,274	¥ 55,320	$ 312
Exchange (loss) gain, net	583,288	(110,201)	(342,910)	4,985
Gain on sales of property and equipment	12,022	237,385	306,203	103
Gain on sales of investments in securities	–	15,995	123,114	–
Gains on exemptions from consumption taxes	130,131	–	–	1,112
Loss on disposal of property and equipment	(26,312)	(156,139)	(51,981)	(225)
Loss on revaluation of investments in securities	–	–	(7,800)	–
Loss on revaluation of inventories	(95,181)	–	–	(814)
Revision of the loss of prior year of receivables	(35,522)	–	–	(304)
Impairment losses on fixed assets	(26,507)	(123,340)	–	(227)
Loss on advanced repayment of bank loans	–	–	(47,574)	–
Other, net	113,202	155,283	67,581	968
	¥691,679	¥ 57,259	¥ 101,954	$5,912

10. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	March 31,		
	2006	2005	2006
	(Thousands of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Accrued bonuses	¥ 274,498	¥246,373	$ 2,346
Elimination of unrecognized gain on intercompany accounts and transactions	69,078	67,329	590
Directors' and statutory auditors' retirement benefits	75,435	71,009	645
Accrued enterprise tax	59,073	77,309	505
Allowance for doubtful accounts	66,612	74,732	569
Accrued pension and severance costs	115,489	133,670	987
Impairment losses on fixed assets	63,548	57,070	543
Loss on revaluation of inventories	47,230	5,626	404
Other	110,916	132,549	948
Total deferred tax assets	881,884	865,672	7,537
Deferred tax liabilities:			
Depreciation	(54,784)	(6,668)	(468)
Accumulated earnings of consolidated subsidiaries	(52,610)	(40,627)	(450)
Other	(16,943)	(11,855)	(145)
Total deferred tax liabilities	(124,338)	(59,151)	(1,063)
Net deferred tax assets	¥ 757,545	¥806,520	$ 6,475

The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2006 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 years 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%

11. Stockholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and the additional paid-in capital account 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 shareholders 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 shareholders either as a return of capital or as dividends subject to the approval of the shareholders. The Company's shares of common stock have no par value in accordance with the Code.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law stipulates similar requirements on distribution of earnings to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

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, 2006 and 2005, and the related depreciation and interest expense for the years ended March 31, 2006, 2005 and 2004, respectively, which would have been reflected in the consolidated balance sheets and the related consolidated statements of income:

	March 31, 2006		
	Property and equipment – other	Software	Total
	(Thousands of yen)		
Acquisition costs	¥221,534	¥18,698	¥240,232
Less accumulated depreciation	86,711	2,492	89,204
Net book value	¥134,822	¥16,205	¥151,028

	March 31, 2006		
	Property and equipment – other	Software	Total
	(Thousands of U.S. dollars)		
Acquisition costs	$1,893	$160	$2,053
Less accumulated depreciation	741	21	762
Net book value	$1,152	$139	$1,291

12. Leases (continued)

As lessee under financing and operating leases (continued)

	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

	Year ended March 31,			
	2006	2005	2004	2006
	(Thousands of yen)			*(Thousands of U.S. dollars)*
Depreciation expense	¥54,227	¥56,424	¥83,951	$463
Interest expense	¥ 3,872	¥ 2,686	¥ 4,511	$ 33

No impairment loss had been recognized on leased property for the years ended March 31, 2006 and 2005.

Lease expenses relating to the financing leases accounted for as operating leases amounted to ¥57,941 thousand ($495 thousand), ¥60,619 thousand and ¥91,306 thousand for the years ended March 31, 2006, 2005 and 2004, respectively.

Future rental expenses under financing leases accounted for as operating leases outstanding at March 31, 2006 and 2005 are summarized as follows:

	March 31,		
	2006	2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 46,073	¥32,466	$ 394
Over 1 year	107,176	33,291	916
	¥153,250	¥65,758	$1,310

Future rental expenses under operating leases outstanding at March 31, 2006 and 2005 are summarized as follows:

	March 31,		
	2006	2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 89,646	¥ 80,245	$ 766
Over 1 year	298,632	276,980	2,552
	¥388,278	¥357,226	$3,319

12. Leases (continued)

As lessor under operating leases

Certain consolidated subsidiaries lease equipment under operating leases. Future rental income under operating leases outstanding at March 31, 2006 and 2005 are summarized as follows:

	March 31,		
	2006	2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 668,384	¥ 538,368	$ 5,713
Over 1 year	3,043,895	2,543,864	26,016
	¥3,712,279	¥3,082,232	$31,729

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, 2006 and 2005 are summarized as follows:

	March 31,		
	2006	2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 821,679	¥ 526,037	$ 7,023
Over 1 year	3,683,504	4,216,538	31,483
	¥4,505,183	¥4,742,576	$38,506

Future rental expenses as lessee under the original lease agreements outstanding at March 31, 2006 and 2005 are summarized as follows:

	March 31,		
	2006	2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 811,504	¥ 575,177	$ 6,936
Over 1 year	5,169,459	4,846,103	44,183
	¥5,980,964	¥5,421,281	$51,119

13. 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 ($1,216 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 ($2,564 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, 2006, 2005 and 2004 were the same.

	Year ended March 31,			
	2006	**2005**	**2004**	**2006**
		(Yen)		*(U.S. dollars)*
Net income per share	¥132.57	¥110.62	¥86.21	$1.133

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

	March 31,		
	2006	**2005**	**2006**
	(Yen)		*(U.S. dollars)*
Net assets per share	¥1,036.14	¥908.11	$8.856

The following table sets forth the basis of the computation of net income per share for the years ended March 31, 2006, 2005 and 2004:

	Year ended March 31,			
	2006	**2005**	**2004**	**2006**
	(Thousands of yen, except share)			*(Thousands of U.S. dollars, except share)*
Net income	¥1,689,240	¥1,435,670	¥1,085,411	$14,438
Less: appropriation of bonuses to directors and statutory auditors	2,491	(24,006)	(19,195)	21
Net income available to stockholders of shares of common stock	¥1,691,732	¥1,411,664	¥1,066,216	$14,459
Weighted average number of shares of common stock outstanding	12,760,783	12,761,085	12,367,114	12,760,783

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, 2006, 2005 and 2004 are summarized as follows:

	Year ended March 31, 2006					
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
			(Thousands of yen)			
Sales to outside parties	¥35,516,160	¥27,617,163	¥44,818,683	¥107,952,007	¥ –	¥107,952,007
Inter-segment sales and 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
Depreciation and amortization	¥ 336,093	¥ 53,208	¥ 252,748	¥ 642,050	¥ 54,812	¥ 696,862
Impairment losses on fixed assets	¥ –	¥ –	¥ 26,507	¥ 26,507	¥ –	¥ 26,507
Capital expenditures	¥ 1,048,891	¥ 24,893	¥ 162,342	¥ 1,236,127	¥ 893,709	¥ 2,129,837
Identifiable assets	¥13,619,181	¥ 6,400,482	¥11,768,524	¥ 31,788,188	¥ 5,775,225	¥ 37,563,414

	Year ended March 31, 2006					
	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	$303,557	$236,044	$383,066	$922,667	$ –	$922,667
Inter-segment sales and transfers	7,396	633	26	8,054	(8,054)	–
Total	310,953	236,677	383,091	930,721	(8,054)	922,667
Operating expenses	299,415	230,746	356,254	886,415	15,357	901,772
Operating income	$ 11,538	$ 5,931	$ 26,837	$ 44,306	$(23,411)	$ 20,894
Depreciation and amortization	$ 2,873	$ 455	$ 2,160	$ 5,488	$ 468	$ 5,956
Impairment losses on fixed assets	$ –	$ –	$ 227	$ 227	$ –	$ 227
Capital expenditures	$ 8,965	$ 213	$ 1,388	$ 10,565	$ 7,639	$ 18,204
Identifiable assets	$116,403	$ 54,705	$100,586	$271,694	$ 49,361	$321,055

15. Segment Information (continued)

	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, 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

Unallocated operating expenses included in "General corporate assets and intercompnay eliminations" for the years ended March 31, 2006, 2005 and 2004 amounted to ¥2,738,471 thousand ($23,406 thousand), ¥2,568,816 thousand and ¥2,553,981 thousand, respectively, and consisted primarily of administrative expenses incurred at the Company's headquarters.

In addition, unallocated assets included in "General corporate assets and intercompany eliminations" at March 31, 2006, 2005 and 2004 amounted to ¥5,541,806 thousand ($47,366 thousand), ¥5,028,922 thousand and ¥5,295,421 thousand, respectively, and consisted primarily of cash and cash equivalents, investments in securities and assets belonging to the headquarters of the Company.

15. Segment Information (continued)

The geographical segment information of the Company and the consolidated subsidiaries for the years ended March 31, 2006, 2005 and 2004 is summarized as follows:

	Year ended March 31, 2006					
	Japan	North America	Other overseas counties	Total	General corporate assets and intercompany eliminations	Consolidated
			(Thousands of yen)			
Sales to outside parties	¥104,140,596	¥ 1,864,875	¥1,946,535	¥107,952,007	¥ –	¥107,952,007
Inter-segment sales and 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 (loss)	¥ 2,927,196	¥ 235,379	¥ (178,267)	¥ 2,984,308	¥ (539,651)	¥ 2,444,656
Identifiable assets	¥ 33,338,735	¥ 7,536,463	¥ 743,936	¥ 41,619,135	¥ (4,055,721)	¥ 37,563,414

	Year ended March 31, 2006					
	Japan	North America	Other overseas counties	Total	General corporate assets and intercompany eliminations	Consolidated
			(Thousands of U.S. dollars)			
Sales to outside parties	$890,091	$ 15,939	$16,637	$ 922,667	$ –	$922,667
Inter-segment sales and transfers	5,151	114,390	10,479	130,020	(130,020)	–
Total	895,241	130,329	27,116	1,052,686	(130,020)	922,667
Operating expenses	870,223	128,317	28,640	1,027,179	(125,407)	901,772
Operating income (loss)	$ 25,019	$ 2,012	$ (1,524)	$ 25,507	$ (4,612)	$ 20,894
Identifiable assets	$284,946	$ 64,414	$ 6,358	$ 355,719	$ (34,664)	$321,055

	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

15. Segment Information (continued)

	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

For the years ended March 31, 2006, 2005 and 2004, 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, 2006 and 2005, 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 year ended March 31, 2006 are summarized as follows:

With Japan Airlines Corporation:

	Year ended March 31,		
	2006	**2005**	**2006**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales of investments in securities	¥–	¥22,111	$–
Gain on sales of investments in securities	–	15,995	–

The transactions between the Company and the companies controlled by the parent company, for the years ended March 31, 2006, 2005 and 2004 are summarized as follows:

With Japan Airlines International Co., Ltd.:

	Year ended March 31,			
	2006	**2005**	**2004**	**2006**
	(Thousands of yen)			*(Thousands of U.S. dollars)*
Operating revenues:				
Sales of flight equipment	¥14,445,701	¥16,110,755	¥14,576,148	$123,468
Purchases of merchandise	–	–	1,250,619	–

	March 31,		
	2006	**2005**	**2006**
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Accounts receivable	¥2,397,699	¥3,281,641	$20,493

17. Related Party Transactions (continued)

With Japan Airlines Domestic Co., Ltd.:

	Year ended March 31, 2006	Year ended March 31, 2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Operating revenues:			
Sales of flight equipment	¥–	¥2,210,936	$–

	March 31, 2006	March 31, 2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Accounts receivable	¥–	¥366,507	$–

With JAL Capital Co., Ltd.:

	Year ended March 31, 2006	Year ended March 31, 2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Proceeds from short-term borrowings	¥2,400,000	¥28,500,000	$20,513
Repayment of short-term borrowings	2,800,000	29,300,000	23,932
Interest expenses	430	5,116	4

	March 31, 2006	March 31, 2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Short-term borrowings	¥400,000	¥800,000	$3,419

With Fukuoka Airport Building Co., Ltd.:

	Year ended March 31, 2006	Year ended March 31, 2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Operating expenses:			
Rent for office space	¥–	¥56	$–

	March 31, 2006	March 31, 2005	2006
	(Thousands of yen)		*(Thousands of U.S. dollars)*
Other current assets	¥–	¥475,714	$–
Deposits for business space	¥–	118,200	$–

17. Related Party Transactions (continued)

With Japan Trans Ocean Air Co., Ltd.:

	Year ended March 31,	
	2006	**2006**
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Operating expenses:		
Sales of flight equipment	¥2,389,425	$20,422

	March 31,	
	2006	**2006**
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Accounts receivable	¥379,356	$3,242