

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, 2004 and 2003, 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, 2004 and 2003, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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 2.

Shin Nihon & Co.

June 23, 2004

JALUX Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2004	2003	2004
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Assets			
Current assets:			
Cash and time deposits	¥ 4,130,377	¥ 3,546,966	\$ 39,337
Notes and accounts receivable <i>(Notes 14 and 15)</i> :			
Trade	8,099,154	7,867,746	77,135
Parent	3,925,984	3,100,555	37,390
Unconsolidated subsidiary and affiliates	45,942	64,173	438
Other	1,123,597	1,058,228	10,701
Allowance for doubtful accounts	(34,876)	(26,792)	(332)
Inventories	5,115,801	5,181,334	48,722
Deferred income taxes <i>(Note 8)</i>	412,545	288,838	3,929
Other	1,249,858	702,951	11,903
Total current assets	<u>24,068,386</u>	<u>21,784,003</u>	<u>229,223</u>
Investments and advances:			
Unconsolidated subsidiary and affiliates	1,860,858	1,798,997	17,722
Other <i>(Note 4)</i>	255,083	277,765	2,429
Total investments and advances	<u>2,115,942</u>	<u>2,076,762</u>	<u>20,152</u>
Property and equipment <i>(Note 5)</i> :			
Land	445,033	562,144	4,238
Buildings and structures	4,385,208	4,864,499	41,764
Machinery and vehicles	556,730	650,243	5,302
Flight equipment	3,015,537	3,852,024	28,719
Construction in process	25,363	32,603	242
Other	625,367	607,854	5,956
	<u>9,053,242</u>	<u>10,569,369</u>	<u>86,221</u>
Accumulated depreciation	(4,404,618)	(6,001,066)	(41,949)
Property and equipment, net	<u>4,648,623</u>	<u>4,568,302</u>	<u>44,273</u>
Intangible assets:			
Software	463,680	437,259	4,416
Other	76,905	44,765	732
Total intangible assets	<u>540,586</u>	<u>482,024</u>	<u>5,148</u>
Long-term loans	1,395,753	1,091,441	13,293
Deposits for business space <i>(Note 15)</i>	2,357,550	2,028,640	22,453
Deferred income taxes <i>(Note 8)</i>	317,633	212,902	3,025
Other assets, net	262,279	413,021	2,498
	<u>¥35,706,754</u>	<u>¥32,657,099</u>	<u>\$340,064</u>

	March 31,		
	2004	2003	2004
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Liabilities and stockholders' equity			
Current liabilities:			
Short-term borrowings <i>(Notes 5 and 15)</i>	¥ 1,986,723	¥ 1,923,519	\$ 18,921
Current portion of long-term debt <i>(Note 5)</i>	1,282,069	1,324,328	12,210
Notes and accounts payable <i>(Notes 14 and 15):</i>			
Trade	11,555,793	9,257,556	110,055
Parent	224,500	163,581	2,138
Unconsolidated subsidiary and affiliates	532,121	583,123	5,068
Accrued expenses	2,407,207	1,702,868	22,926
Accrued income taxes <i>(Note 8)</i>	647,475	604,863	6,166
Other	1,707,154	2,211,999	16,259
Total current liabilities	20,343,046	17,771,841	193,743
Long-term debt <i>(Notes 5 and 14)</i>	3,881,290	4,698,458	36,965
Accrued pension and severance costs <i>(Note 6)</i>	212,202	109,095	2,021
Directors' and statutory auditors' retirement benefits	139,452	136,306	1,328
Other	27,433	102,656	261
Minority interests	626,225	557,391	5,964
Commitments and contingent liabilities <i>(Notes 10, 11 and 14)</i>			
Stockholders' equity <i>(Note 9):</i>			
Common stock, without par value:			
Authorized: 20,000,000 shares			
Issued: 12,775,000 shares in 2004 and 12,250,000 shares in 2003	2,558,550	2,558,550	24,367
Capital surplus	711,260	661,250	6,774
Retained earnings	7,448,233	6,148,284	70,936
Net unrealized gain (loss) on other securities, net of taxes <i>(Note 4)</i>	8,053	(11,034)	77
Translation adjustments	(242,130)	(70,852)	(2,306)
Common stock in treasury: 13,209 shares in 2004 and 10,855 shares in 2003	(6,863)	(4,847)	(65)
Total stockholders' equity	10,477,102	9,281,349	99,782
	¥35,706,754	¥32,657,099	\$340,064

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended March 31,			
	2004	2003	2002	2004
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Operating revenues <i>(Notes 13 and 15)</i>	¥86,089,991	¥86,867,003	¥90,801,521	\$819,905
Operating expenses <i>(Notes 13 and 15)</i> :				
Cost of sales	65,845,097	67,402,869	72,445,963	627,096
Selling, general and administrative expenses	18,163,531	17,627,788	16,960,943	172,986
	<u>84,008,629</u>	<u>85,030,657</u>	<u>89,406,907</u>	<u>800,082</u>
Operating income	<u>2,081,362</u>	<u>1,836,346</u>	<u>1,394,614</u>	<u>19,822</u>
Non-operating income (expenses):				
Interest income	40,830	14,233	19,380	389
Interest expense	(75,929)	(94,175)	(107,504)	(723)
Equity in earnings of affiliates	84,847	85,374	76,215	808
Other, net <i>(Note 7)</i>	101,954	210,478	149,355	971
	<u>151,702</u>	<u>215,911</u>	<u>137,447</u>	<u>1,445</u>
Income before income taxes and minority interests	<u>2,233,064</u>	<u>2,052,257</u>	<u>1,532,061</u>	<u>21,267</u>
Income taxes <i>(Note 8)</i> :				
Current	1,207,818	1,048,840	878,648	11,503
Deferred	(166,573)	(159,619)	(124,280)	(1,586)
	<u>1,041,244</u>	<u>889,221</u>	<u>754,368</u>	<u>9,917</u>
Minority interests	<u>(106,409)</u>	<u>(130,036)</u>	<u>(90,909)</u>	<u>(1,013)</u>
Net income	<u>¥ 1,085,411</u>	<u>¥ 1,032,999</u>	<u>¥ 686,783</u>	<u>\$ 10,337</u>

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 4)	Translation adjustments	Common stock in treasury	Total
	<i>(Thousands of yen)</i>							
Balance at March 31, 2001	11,500,000	¥2,398,800	¥398,000	¥4,792,435	¥ 13,290	¥(170,234)	¥ -	¥ 7,432,291
Issuance of common stock	750,000	159,750	263,250					423,000
Net income for the year ended March 31, 2002				686,783				686,783
Cash dividends				(161,000)				(161,000)
Bonuses to directors and statutory auditors				(8,950)				(8,950)
Net change during the year					(9,657)	256,840	(535)	246,647
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
Net change during the year			10		19,088	(171,277)	(2,016)	(154,195)
Balance at March 31, 2004	<u>12,775,000</u>	<u>¥2,558,550</u>	<u>¥711,260</u>	<u>¥7,448,233</u>	<u>¥ 8,053</u>	<u>¥(242,130)</u>	<u>¥(6,863)</u>	<u>¥10,477,102</u>

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on other securities, net of taxes	Translation adjustments	Common stock in treasury	Total
	<i>(Thousands of U.S. dollars) (Note 2)</i>							
Balance at March 31, 2003	12,250,000	\$24,367	\$6,298	\$58,555	\$(105)	\$ (675)	\$(46)	\$88,394
Net income for the year ended March 31, 2004				10,337				10,337
Cash dividends				(1,866)				(1,866)
Bonuses to directors and statutory auditors				(111)				(111)
Increase resulting from merger	525,000		476	4,021				4,497
Net change during the year			0		182	(1,631)	(19)	(1,469)
Balance at March 31, 2004	<u>12,775,000</u>	<u>\$24,367</u>	<u>\$6,774</u>	<u>\$70,936</u>	<u>\$ 77</u>	<u>\$(2,306)</u>	<u>\$(65)</u>	<u>\$99,782</u>

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,			2004 (Thousands of U.S. dollars) (Note 2)
	2004	2003	2002	
	<i>(Thousands of yen)</i>			
Operating activities				
Income before income taxes and minority interests	¥ 2,233,064	¥ 2,052,257	¥ 1,532,061	\$ 21,267
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	637,524	662,914	665,554	6,072
Provision for allowance for doubtful accounts	55,672	(28,663)	(43,293)	530
Net provision for accrued pension and severance costs	103,106	92,867	13,916	982
Decrease in prepaid pension costs	—	—	34,470	—
Interest and dividend income	(96,150)	(58,411)	(52,722)	(916)
Interest expense	75,929	94,175	107,504	723
Exchange loss (gain), net	777	(2,575)	(601)	7
Equity in earnings of affiliates	(84,847)	(85,374)	(76,215)	(808)
(Gain) loss on sales of, and loss on disposal of property and equipment	(262,686)	(177,219)	46,008	(2,502)
Gain on sales of investments in securities	(123,114)	(1,446)	(2,773)	(1,173)
Loss on revaluation of investments in affiliates	—	—	19,999	—
Loss on revaluation of investments in securities	7,800	12,750	1,659	74
(Increase) decrease in notes and accounts receivable	(702,146)	(1,063,729)	977,838	(6,687)
Decrease (increase) in inventories	197,212	383,445	(65,385)	1,878
Increase (decrease) in notes and accounts payable	1,074,175	(893,968)	(795,461)	10,230
(Decrease) increase in bad debts on receivables	(60,172)	59,874	14,618	(573)
Payments of bonuses to directors and statutory auditors	(12,950)	(11,550)	(10,250)	(123)
Other, net	(438,441)	124,867	901,535	(4,176)
Subtotal	2,604,753	1,160,213	3,268,463	24,807
Interest and dividends received	107,875	64,691	59,183	1,027
Interest paid	(80,123)	(90,570)	(111,105)	(763)
Income taxes paid	(1,157,629)	(872,200)	(871,181)	(11,025)
Net cash provided by operating activities	1,474,876	262,133	2,345,359	14,046
Investing activities				
Purchases of property and equipment	(836,715)	(1,459,471)	(363,904)	(7,969)
Proceeds from sales of property and equipment	494,320	197,040	9,998	4,708
Purchases of intangible assets	(218,370)	(215,521)	(197,810)	(2,080)
Purchases of investments in securities	—	(51,116)	(403)	—
Proceeds from sales of investments in securities	202,457	61,256	11,873	1,928
Purchases of investments in capital	(50,000)	—	—	(476)
Long-term loans receivable made	(2,800)	(714,456)	(35,428)	(27)
Collection of long-term loans	128,502	716,141	8,633	1,224
Purchases of time deposits	(10,002)	(14,711)	—	(95)
Proceeds from maturity of time deposits	10,000	160,000	—	95
Increase in deposits for business space	(93,103)	(78,354)	(274,442)	(887)
Decrease in deposits for business space	44,387	285,443	616,766	423
Other, net	120,050	(32,809)	15,594	1,143
Net cash used in investing activities	(211,273)	(1,146,559)	(209,122)	(2,012)
Financing activities				
Increase (decrease) in short-term borrowings	19,177	(49,978)	(1,210,000)	183
Proceeds from long-term loans	2,484,280	1,439,650	1,100,000	23,660
Repayment of long-term loans	(2,817,850)	(725,930)	(1,319,195)	(26,837)
Redemption of bonds	(350,000)	—	—	(3,333)
Dividends paid to stockholders	(195,960)	(183,735)	(161,000)	(1,866)
Dividends paid to minority interests	(36,000)	(36,000)	(24,000)	(343)
Proceeds from issuance of common stock	—	—	423,000	—
Other, net	(3,189)	(1,753)	(5,281)	(30)
Net cash (used in) provided by financing activities	(899,542)	442,252	(1,196,476)	(8,567)
Effect of exchange rate changes on cash and cash equivalents	5,753	(1,991)	55,555	55
Net increase (decrease) in cash and cash equivalents	369,814	(444,165)	995,315	3,522
Cash and cash equivalents at beginning of the year	3,523,755	3,967,921	2,972,605	33,560
Increase in cash and cash equivalents resulting from merger	212,651	—	—	2,025
Cash and cash equivalents at end of the year	¥ 4,106,222	¥ 3,523,755	¥ 3,967,921	\$ 39,107

The accompanying notes are an integral part of these statements.

JALUX Inc. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

March 31, 2004

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.

1. Summary of Significant Accounting Policies (continued)

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.

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. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥105.00 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2004, 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.

3. Cash Flow Information

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

	March 31,		
	2004	2003	2004
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥4,130,377	¥3,546,966	\$39,337
Time deposits with maturities of more than three months	(23,323)	(19,711)	(222)
Credit balances of current accounts included in short-term bank loans	(1,019)	(3,498)	(10)
Current assets – other (Deposits Paid)	186	–	2
	<u>¥4,106,222</u>	<u>¥3,523,755</u>	<u>\$39,107</u>

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
	<i>(Thousands of yen)</i>
Current assets	¥1,540,835
Noncurrent assets	1,006,249
Total assets	<u>2,547,085</u>
Current liabilities	2,023,379
Noncurrent liabilities	51,518
Total liabilities	<u>¥2,074,898</u>

	March 31, 2004
	<i>(Thousands of U.S. dollars)</i>
Current assets	\$14,675
Noncurrent assets	9,583
Total assets	<u>24,258</u>
Current liabilities	19,270
Noncurrent liabilities	491
Total liabilities	<u>\$19,761</u>

As a result of the merger with JTR, capital surplus at March 31, 2004 increased by ¥50,000 thousand (\$476 thousand).

4. Fair Value of Securities

The Company and its consolidated subsidiaries did not possess any trading securities or held-to-maturity securities at March 31, 2004 and 2003. Securities classified as other securities have been included in “investments and advances – other” in the accompanying consolidated balance sheets at March 31, 2004 and 2003.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2004 and 2003 are summarized as follows:

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

	March 31, 2004		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Unrealized gain:			
Stocks	\$129	\$375	\$247
Bonds:			
Government bonds	68	84	16
Other	36	38	2
	<u>233</u>	<u>498</u>	<u>265</u>
Unrealized loss:			
Stocks	156	145	(11)
	<u>156</u>	<u>145</u>	<u>(11)</u>
Total	<u>\$389</u>	<u>\$643</u>	<u>\$254</u>

4. Fair Value of Securities (continued)

	March 31, 2003		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<i>(Thousands of yen)</i>		
Unrealized gain:			
Stocks	¥13,263	¥29,630	¥ 16,367
Bonds:			
Government bonds	7,162	9,298	2,136
	<u>20,425</u>	<u>38,928</u>	<u>18,503</u>
Unrealized loss:			
Stocks	24,434	11,261	(13,173)
Other	3,788	2,178	(1,610)
	<u>28,223</u>	<u>13,439</u>	<u>(14,784)</u>
Total	<u>¥48,648</u>	<u>¥52,368</u>	<u>¥ 3,719</u>

Non-marketable securities classified as other securities at March 31, 2004 and 2003 amounted to ¥137,475 thousand (\$1,309 thousand) and ¥225,346 thousand, respectively.

Proceeds from sales of securities classified as other securities amounted to ¥202,457 thousand (\$1,928 thousand), ¥61,256 thousand and ¥11,873 thousand with an aggregate gain of ¥123,114 thousand (\$1,173 thousand), ¥1,446 thousand and ¥2,773 thousand and an aggregate loss of nil for the years ended March 31, 2004, 2003 and 2002, respectively.

The redemption schedule for securities with maturity dates which were classified as other securities as of March 31, 2004 and 2003 are summarized as follows:

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

	March 31, 2004	
	Due in one year or less	Due after one year through five years
	<i>(Thousands of U.S. dollars)</i>	
Bonds:		
Government bonds	\$ –	\$ 71
Other:		
Investment trusts	–	38
Total	<u>\$ –</u>	<u>\$110</u>

4. Fair Value of Securities (continued)

	March 31, 2003		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
	<i>(Thousands of yen)</i>		
Bonds:			
Government bonds	¥ –	¥ 7,500	¥ –
Corporate bonds	–	3,442	–
Other:			
Investment trusts	–	–	2,178
Total	¥ –	¥10,942	¥2,178

5. Short-Term Borrowings and Long-Term Debt

The weighted average interest rates on short-term borrowings outstanding at March 31, 2004 and 2003 were 0.84% and 0.61%, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	March 31,		
	2004	2003	2004
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Japanese yen bonds, due 2004, at 1.70%	¥ –	¥ 350,000	\$ –
Loans with collateral, due 2003 to 2010, at rates ranging from 1.25% to 7.91%	2,121,388	2,563,265	20,204
Loans without collateral, due 2003 to 2013, at rates ranging from 1.0% to 2.44%	2,778,500	2,858,500	26,462
Other	263,472	251,021	2,509
	5,163,360	6,022,786	49,175
Less current portion of long-term debt	(1,282,069)	(1,324,328)	(12,210)
	¥ 3,881,290	¥ 4,698,458	\$ 36,965

The aggregate annual maturities of long-term debt subsequent to March 31, 2004 are summarized as follows:

Year ending March 31,	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2005	¥1,282,069	\$12,210
2006	850,606	8,101
2007	1,419,269	13,517
2008	604,404	5,756
2009 and thereafter	1,007,011	9,591
	¥5,163,360	\$49,175

5. Short-Term Borrowings and Long-Term Debt (continued)

Assets pledged as collateral for long-term debt at March 31, 2004 and 2003 are summarized as follows:

	March 31,		
	2004	2003	2004
	(Thousands of yen)		(Thousands of U.S. dollars)
Land	¥ 78,656	¥ 174,245	\$ 749
Buildings and structures, net of accumulated depreciation	1,370,575	1,877,419	13,053
Flight equipment, net of accumulated depreciation	1,221,368	879,412	11,632
	<u>¥2,670,600</u>	<u>¥2,931,077</u>	<u>\$25,434</u>

6. 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,		
	2004	2003	2004
	(Thousands of yen)		(Thousands of U.S. dollars)
Projected benefit obligation	¥(2,553,307)	¥(2,327,321)	\$(24,317)
Plan assets	2,051,502	1,904,947	19,538
Accrued pension and severance costs	212,202	109,095	2,021
Net unrecognized amount	<u>¥ (289,602)</u>	<u>¥ (313,277)</u>	<u>\$ (2,758)</u>

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.

6. Accrued Pension and Severance Costs (continued)

The net unrecognized amount was as follows:

	March 31,		
	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized benefit obligation at transition	¥ (70,477)	¥(140,955)	\$ (671)
Actuarial assumption adjustment	(219,125)	(172,322)	(2,087)
Net unrecognized amount	<u>¥(289,602)</u>	<u>¥(313,277)</u>	<u>\$(2,758)</u>

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

	Year ended March 31,			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2004</u>
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Service cost	¥133,086	¥124,604	¥125,277	\$1,267
Interest cost on projected benefit obligation	68,545	68,142	69,051	653
Expected return on plan assets	(47,166)	(50,227)	(51,051)	(449)
Amortization of unrecognized benefit obligation at transition	70,477	70,477	70,477	671
Amortization of actuarial assumption adjustment	40,010	13,804	6,962	381
Net periodic pension and severance costs	<u>¥264,953</u>	<u>¥226,801</u>	<u>¥220,717</u>	<u>\$2,523</u>

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:

	<u>2004</u>	<u>2003</u>
Discount rate	2.5%	3.0%
Expected rate of return on plan assets	2.5%	2.5%

7. Other Income (Expenses)

The components of "Other, net" in "Non-operating income (expenses)" for each of the three years in the period ended March 31, 2004 were as follows:

	Year ended March 31,			2004 (Thousands of U.S. dollars)
	2004 (Thousands of yen)	2003 (Thousands of yen)	2002 (Thousands of yen)	
Dividends received	¥ 55,320	¥ 44,178	¥ 33,342	\$ 527
Exchange (loss) gain, net	(342,910)	43,490	72,756	(3,266)
Gain on sales of property and equipment	306,203	196,849	9,998	2,916
Gain on sales of investments in securities	123,114	1,446	2,773	1,173
Reversal of allowance for doubtful accounts	—	—	14,577	—
Loss on disposal of property and equipment	(51,981)	(23,734)	(68,839)	(495)
Loss on revaluation of investments in affiliates	—	—	(19,999)	—
Loss on revaluation of investments in securities	(7,800)	(12,750)	(1,659)	(74)
Special termination benefits	—	(77,554)	—	—
Loss on advanced repayment of bank loans	(47,574)	—	—	(453)
Other, net	67,581	38,553	106,405	644
	<u>¥ 101,954</u>	<u>¥210,478</u>	<u>¥149,355</u>	<u>\$ 971</u>

8. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	March 31,		2004 (Thousands of U.S. dollars)
	2004 (Thousands of yen)	2003 (Thousands of yen)	
Deferred tax assets:			
Accrued bonuses	¥255,323	¥177,980	\$2,432
Elimination of unrecognized gain on intercompany accounts and transactions	66,475	60,135	633
Directors' and statutory auditors' retirement benefits	56,612	55,134	539
Accrued enterprise tax	64,039	59,532	610
Allowance for doubtful accounts	104,380	61,306	994
Accrued pension and severance costs	86,194	44,109	821
Other	157,801	127,393	1,503
Subtotal	<u>790,827</u>	<u>585,591</u>	<u>7,532</u>
Valuation allowance	—	(5,946)	—
Total deferred tax assets	<u>790,827</u>	<u>579,645</u>	<u>7,532</u>
Deferred tax liabilities:			
Depreciation	(7,178)	(15,669)	(68)
Accumulated earnings of consolidated subsidiaries	(44,007)	(56,170)	(419)
Other	(9,463)	(6,064)	(90)
Total deferred tax liabilities	<u>(60,648)</u>	<u>(77,905)</u>	<u>(578)</u>
Net deferred tax assets	<u>¥730,178</u>	<u>¥501,740</u>	<u>\$6,954</u>

8. Income Taxes (continued)

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, 2004 and 2002 are presented as follows:

	Year ended March 31,	
	2004	2002
Statutory tax rate	42.05%	42.05%
Disallowed expenses, including entertainment expenses	3.70	5.38
Other	0.88	1.81
Effective tax rate	<u>46.63%</u>	<u>49.24%</u>

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.

9. 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.

10. 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, 2004 and 2003, and the related depreciation and interest expense for the years ended March 31, 2004, 2003 and 2002, respectively, which would have been reflected in the consolidated balance sheets and the related consolidated statements of income:

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

	March 31, 2004		
	Property and equipment – other	Software	Total
	<i>(Thousands of U.S. dollars)</i>		
Acquisition costs	\$4,217	\$310	\$4,527
Less accumulated depreciation	3,329	249	3,578
Net book value	<u>\$ 888</u>	<u>\$ 61</u>	<u>\$ 949</u>

	March 31, 2003		
	Property and equipment – other	Software	Total
	<i>(Thousands of yen)</i>		
Acquisition costs	¥674,382	¥32,563	¥706,945
Less accumulated depreciation	551,092	19,676	570,769
Net book value	<u>¥123,290</u>	<u>¥12,886</u>	<u>¥136,176</u>

	Year ended March 31,			
	2004	2003	2002	2004
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Depreciation expense	<u>¥83,951</u>	<u>¥122,252</u>	<u>¥140,459</u>	<u>\$800</u>
Interest expense	<u>¥ 4,511</u>	<u>¥ 7,411</u>	<u>¥ 11,702</u>	<u>\$ 43</u>

10. Leases (continued)

As lessee under financing and operating leases (continued)

Lease expenses relating to the financing leases accounted for as operating leases amounted to ¥91,306 thousand (\$870 thousand), ¥133,781 thousand and ¥152,754 thousand for the years ended March 31, 2004, 2003 and 2002, respectively.

Future rental expenses under financing leases accounted for as operating leases outstanding at March 31, 2004 and 2003 are summarized as follows:

	March 31,		2004 (Thousands of U.S. dollars)
	2004 (Thousands of yen)	2003 (Thousands of yen)	
Within 1 year	¥ 53,987	¥ 79,718	\$514
Over 1 year	48,945	62,640	466
	<u>¥102,933</u>	<u>¥142,358</u>	<u>\$980</u>

Future rental expenses under operating leases outstanding at March 31, 2004 and 2003 are summarized as follows:

	March 31,		2004 (Thousands of U.S. dollars)
	2004 (Thousands of yen)	2003 (Thousands of yen)	
Within 1 year	¥ 54,094	¥ 27,448	\$ 515
Over 1 year	324,315	156,493	3,089
	<u>¥378,409</u>	<u>¥183,942</u>	<u>\$3,604</u>

As lessor under operating leases

Certain consolidated subsidiaries lease equipment under operating leases. Future rental income under operating leases outstanding at March 31, 2004 and 2003 are summarized as follows:

	March 31,		2004 (Thousands of U.S. dollars)
	2004 (Thousands of yen)	2003 (Thousands of yen)	
Within 1 year	¥ 572,506	¥ 585,177	\$ 5,452
Over 1 year	2,830,828	2,918,403	26,960
	<u>¥3,403,335</u>	<u>¥3,503,580</u>	<u>\$32,413</u>

10. Leases (continued)

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, 2004 and 2003 are summarized as follows:

	March 31,		
	2004	2003	2004
	(Thousands of yen)		(Thousands of U.S. dollars)
Within 1 year	¥47,686	¥ 62,984	\$454
Over 1 year	43,803	87,430	417
	<u>¥91,490</u>	<u>¥150,414</u>	<u>\$871</u>

Future rental expenses as lessee under the original lease agreements outstanding at March 31, 2004 and 2003 are summarized as follows:

	March 31,		
	2004	2003	2004
	(Thousands of yen)		(Thousands of U.S. dollars)
Within 1 year	¥46,664	¥ 61,569	\$444
Over 1 year	42,879	85,568	408
	<u>¥89,543</u>	<u>¥147,137</u>	<u>\$853</u>

11. Contingent Liabilities

At March 31, 2004, contingent liabilities for guarantees amounted to ¥8,812 thousand (\$84 thousand).

12. 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, 2004, 2003 and 2002 were the same.

	Year ended March 31,			
	2004	2003	2002	2004
		(Yen)		(U.S. dollars)
Net income per share	¥86.21	¥83.62	¥59.38	\$0.821

12. Amounts Per Share

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

	March 31,		
	2004	2003	2004
	(Yen)		(U.S. dollars)
Net assets per share	¥819.13	¥757.02	\$7.801

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, 2004 and 2003:

	Year ended March 31,		
	2004	2003	2004
	(Thousands of yen, except share)		(Thousands of U.S. dollars, except share)
Net income	¥1,085,411	¥1,032,999	\$10,337
Less: appropriation of bonuses to directors and statutory auditors	(19,195)	(9,549)	(183)
Net income available to stockholders of shares of common stock	¥1,066,216	¥1,023,449	\$10,154
Weighted average number of shares of common stock outstanding	12,367,114	12,239,538	12,367,114

13. 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 of equipment for airport facilities and of materials for construction
- Sales 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”)

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 Shoppers (duty free stores)
- Management of JAL Plaza Igrisuya (gift shop)
- Online shopping on a web site

13. Segment Information (continued)

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2004, 2003 and 2002 are summarized as follows:

	Year ended March 31, 2004					
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Thousands of yen)</i>					
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, 2004					
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>					
Sales to outside parties	\$211,619	\$258,802	\$349,484	\$819,905	\$ -	\$819,905
Inter-segment sales and transfers	6,825	792	49	7,667	(7,667)	-
Total	218,444	259,594	349,533	827,571	(7,667)	819,905
Operating expenses	203,160	253,207	327,078	783,445	16,637	800,082
Operating income	\$ 15,284	\$ 6,387	\$ 22,455	\$ 44,126	\$(24,304)	\$ 19,822
Depreciation and amortization	\$ 2,935	\$ 714	\$ 1,729	\$ 5,379	\$ 693	\$ 6,072
Capital expenditures	\$ 6,879	\$ 343	\$ 4,430	\$ 11,652	\$ 844	\$ 12,497
Identifiable assets	\$102,593	\$ 68,657	\$122,361	\$293,611	\$ 46,453	\$340,064

	Year ended March 31, 2003					
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Thousands of yen)</i>					
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

13. Segment Information (continued)

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 ¥3,364,946 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.

	Year ended March 31, 2002					
	Aviation business	Life service business	Customer service business	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Thousands of yen)</i>					
Sales to outside parties	¥26,215,053	¥31,162,949	¥33,423,518	¥90,801,521	¥ -	¥90,801,521
Inter-segment sales and transfers	619,007	198,713	6,480	824,202	(824,202)	-
Total	26,834,061	31,361,663	33,429,998	91,625,723	(824,202)	90,801,521
Operating expenses	25,845,976	30,723,904	31,475,745	88,045,626	1,361,280	89,406,907
Operating income	¥ 988,084	¥ 637,758	¥ 1,954,253	¥ 3,580,097	¥(2,185,482)	¥ 1,394,614
Depreciation and amortization	¥ 369,922	¥ 50,133	¥ 184,365	¥ 604,420	¥ 61,134	¥ 665,554
Capital expenditures	¥ 245,297	¥ 65,151	¥ 241,113	¥ 551,562	¥ 71,967	¥ 623,530
Identifiable assets	¥ 9,237,083	¥ 8,203,650	¥ 9,599,691	¥27,040,425	¥ 4,932,512	¥31,972,938

Unallocated operating expenses included in “General corporate assets and intercompany eliminations” for the years ended March 31, 2004, 2003 and 2002 amounted to ¥2,553,981 thousand (\$24,324 thousand), ¥2,284,517 thousand and ¥2,197,734 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, 2004, 2003 and 2002 amounted to ¥5,295,421 thousand (\$50,433 thousand), ¥5,472,550 thousand and ¥5,368,144 thousand, respectively, and consisted primarily of cash and cash equivalents, investments in securities and assets belonging to the headquarters of the Company.

13. Segment Information (continued)

The geographical segment information of the Company and the consolidated subsidiaries for the years ended March 31, 2004, 2003 and 2002 is summarized as follows:

Year ended March 31, 2004						
	Japan	North America	Other overseas counties	Total	General corporate assets and intercompany eliminations	Consolidated
<i>(Thousands of yen)</i>						
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

Year ended March 31, 2004						
	Japan	North America	Other overseas counties	Total	General corporate assets and intercompany eliminations	Consolidated
<i>(Thousands of U.S. dollars)</i>						
Sales to outside parties	\$794,080	\$13,505	\$12,320	\$819,905	\$ -	\$819,905
Inter-segment sales and transfers	694	44,595	13,936	59,226	(59,226)	-
Total	794,774	58,101	26,256	879,131	(59,226)	819,905
Operating expenses	777,184	57,809	27,825	862,818	(62,736)	800,082
Operating income (loss)	\$ 17,589	\$ 292	\$ (1,569)	\$ 16,313	\$ 3,510	\$ 19,822
Identifiable assets	\$316,435	\$39,209	\$ 6,777	\$362,421	\$(22,357)	\$340,064

Year ended March 31, 2003						
	Japan	North America	Other overseas counties	Total	General corporate assets and intercompany eliminations	Consolidated
<i>(Thousands of yen)</i>						
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

15. Related Party Transactions

The Company had significant related party transactions with the parent companies, the companies controlled by the common parent companies 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 companies for the years ended March 31, 2004, 2003 and 2002 are summarized as follows:

With Japan Airlines International Co., Ltd. ("JALI", formerly Japan Airlines Company, Ltd.):

	Year ended March 31,			2004
	2004	2003	2002	
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Operating revenues:				
Sales of flight equipment	¥14,576,148	¥16,559,530	¥22,045,640	\$138,820
Purchases of merchandise	1,250,619	1,351,444	1,330,789	11,911

	March 31,			
	2004	2003	2004	
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Accounts receivable	¥3,652,792	¥2,889,021	\$34,788	
Accounts payable	212,428	163,581	2,023	

The transactions between the Company and the companies controlled by the common parent companies, JALI and Japan Airlines System Corporation which is controlling stockholder of JALI, for the years ended March 31, 2004, 2003 and 2002 are summarized as follows:

With Global Building Co., Ltd.:

	Year ended March 31,			2004
	2004	2003	2002	
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Operating expenses:				
Rent for office space	¥413,759	¥353,153	¥334,000	\$3,941

	March 31,			
	2004	2003	2004	
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Deposits for business space	¥546,051	¥486,065	\$5,200	

15. Related Party Transactions (continued)

With Japan Trans Ocean Air Co., Ltd.:

	Year ended March 31,			
	2004	2003	2002	2004
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Operating revenues:				
Sales of flight equipment	¥1,962,760	¥1,819,754	¥2,101,810	\$18,693

	March 31,			
	2004	2003		2004
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Accounts receivable	¥396,524	¥372,387		\$3,776

With JAL Capital Co., Ltd.:

	Year ended March 31,			
	2004	2003		2004
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Proceeds from short-term borrowings	¥31,750,000	¥14,119,200		\$302,381
Sales of merchandise	573,733	–		5,464

	March 31,			
	2004	2003		2004
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Short-term borrowings	¥1,600,000	¥1,920,021		\$15,238
Accounts receivable	554,719	–		5,283

With JAL Sales Co., Ltd.:

	Year ended March 31,		
	2004	2004	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Proceeds from sales of investments in securities	¥162,457	\$1,547	
Gain on sales of investments in securities	123,114	1,173	

15. Related Party Transactions (continued)

The transactions between the Company and the companies over which the Company exercises significant influence in the terms of their operating and financial policies for the year ended March 31, 2004 are summarized as follows:

With Tokyo Koku Cleaning Co., Ltd.:

	Year ended March 31,	
	2004	2004
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Proceeds from sales of property and equipment	¥216,800	\$2,065
Gain on sales of property and equipment	38,304	365