

The JALUX Group

The JALUX group consists of JALUX, six subsidiaries (of which five are consolidated), and eleven affiliates (of which seven are accounted for by the equity method). As the core distribution and services enterprise of the Japan Airlines (JAL) Group, JALUX supplies products and services to each member of the JAL group and to companies outside the group in both aviation and non-aviation areas.

On the basis of aviation-related business, we aim to actively develop lifestyle and customer services targeting the general market and general consumer, and to enhance corporate value.

The JALUX group's main product and sales structures for each business are as follows.

Business segment	Major fields and sales structures	Subsidiaries
Aviation-related	Aircraft, aircraft components, aircraft fuel, machinery, equipment & materials, cabin service supply, in-flight sales, textiles supply < Consulting service & supporting work and wholesale businesses >	JALUX AMERICAS, INC. JALUX EUROPE LTD.
Lifestyle services	Jewelry and general merchandise, agricultural & marine products, processed foods, food gift items, wine & liquor < Catalog sales, Web sales, and wholesale businesses >	JALUX AMERICAS, INC. JALUX EUROPE LTD. JALUX ASIA LTD.
Customer services	Creative design and printing, life design services (including insurance & FP and real estate), BLUE SKY airport shops, JAL-DFS duty-free shops	JAL-DFS CO., LTD. JALUX AIRPORT, INC. JALUX EUROPE LTD.

(1) Aviation-related business

This sector mainly targets the general company, especially aviation-related businesses. It carries out sales and procurement supporting services for aircraft; aircraft components; aircraft fuel; machinery, equipment, and materials (ground service equipment for airports); cabin service supplies; in-flight sales (including duty-free products on international air routes); and textile supplies (including uniforms).

Overseas, JALUX AMERICAS, INC. runs a training-type aircraft leasing business in addition to supplying aircraft components and other products.

(2) Lifestyle services business

This sector mainly targets the general consumer and company and sells general merchandise; agricultural (including livestock and flowers) and marine products; processed foods; food gift items; and wine and liquor.

In the processed foods sector, the main products include JALUX's original JAL SELECTION De Sky series.

For sales to the general consumer, the main retail channel is direct mail using catalogs such as the on-board JAL SHOP and JAL World Shopping Club, as well as JAL Shopping on the JAL website's Web mall

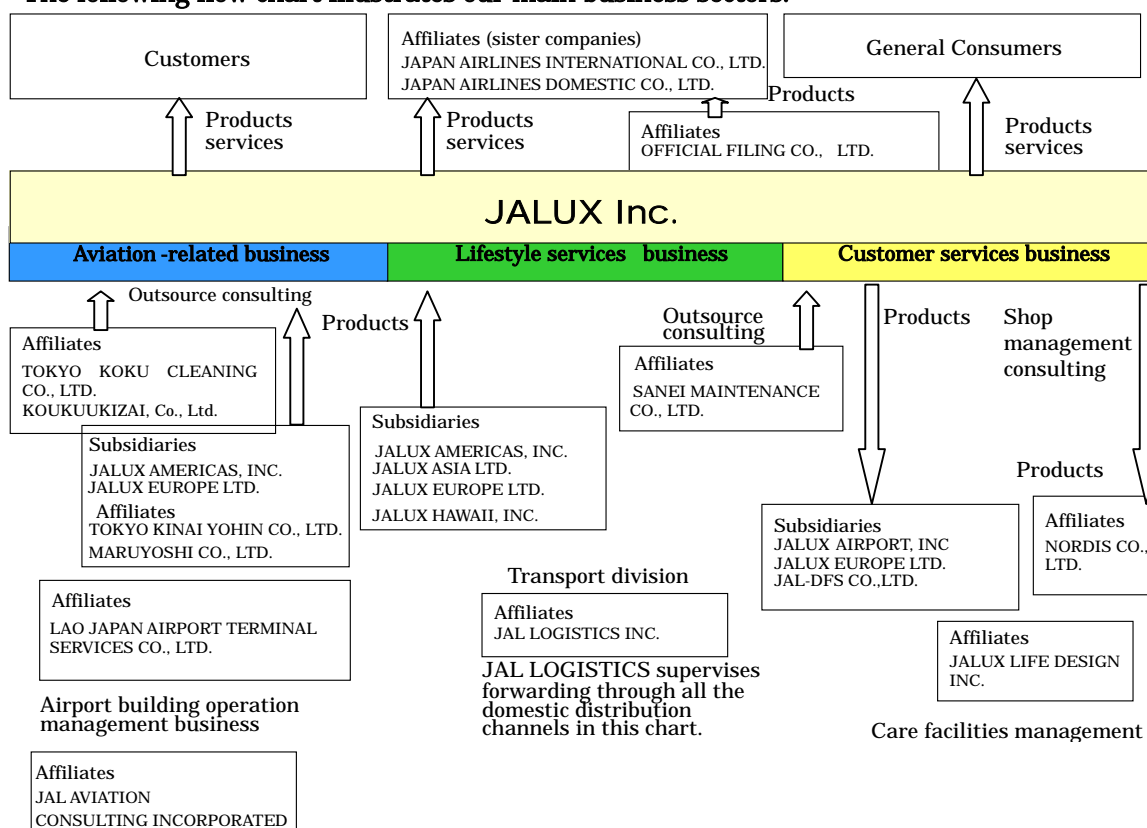
(3) Customer services business

This sector mainly targets the general consumer and company and undertakes planning & production in the creative design and printing business as well as "life design" businesses such as insurance (including damage insurance), FP and real estate sales, agency work, and property activation.

It also operates BLUE SKY shops and restaurants and JAL-DFS duty-free shops at major domestic airports, mainly targeting airline passengers.

Overseas, JALUX EUROPE is developing the JAL Plaza Igrisuya (gift shop in London) , the Plaza Wien Jalux (gift shop in Vienna), and other shops.

The following flow chart illustrates our main business sectors.



The main businesses of subsidiaries and affiliates are as follows.

CONSOLIDATED SUBSIDIARIES

JALUX EUROPE LTD.

JALUX AMERICAS, INC.

JALUX ASIA LTD.

JAL-DFS CO.,LTD.

JALUX AIRPORT, INC.

NON- CONSOLIDATED SUBSIDIARIES

JALUX HAWAII, INC.

AFFILIATES

TOKYO KOKU CLEANING CO., LTD.

TOKYO KINAI YOHIN CO., LTD.

MARUYOSHI CO., LTD.

JAL LOGISTICS INC.

SANEI MAINTENANCE CO., LTD.

KOUKUUKIZAI, Co., Ltd.

NORDIS CO., LTD.

OFFICIAL FILING CO.,LTD.

LAO JAPAN AIRPORT TERMINAL SERVICES CO.,LTD. Operation and management of the terminal buildings inside Vientiane Wattay International

Airport

JAL AVIATION CONSULTING INCORPORATED

JALUX LIFE DESIGN INC.

JALUX LIFE DESIGN Inc. was established on April 21, 2004

----Affiliates accounted for by the equity method

Gift sales and trading

Leasing and trading

Trading

Duty-free sales shops

Management consulting for shops, restaurants, and cafes.

Trading

Linen supplies and cleaning

Production of cabin equipment for aircraft, ships, and rolling stock, and production and repair of aircraft equipment

Manufacture and sales of bags, purses, fancy goods, footwear, and sports supplies.

Automobile transport handling, export-import customs clearance, warehousing

Building cleaning, facilities management, security

Design and manufacture of special equipment for transport machines

Parts repair and processing for airplane devices

Liquor and souvenir sales

Consulting business dealing with passenger fares, freight fares, and arrival/departure times

Airport

Development planning data gathering and consulting business dealing with the aviation field.

Care facilities management

Sister companies

JAPAN AIRLINES INTERNATIONAL CO., LTD.

Air transport business

JAPAN AIRLINES DOMESTIC CO.,LTD.

Air transport business

Status of affiliates

Name	Address	Capitalization (thousand yen)	Subject of business or occupation (note 1)	Voting rights ratio (%)	Relationship with JALUX JALUX:
Parent company					
JAPAN AIRLINES CORPORATION (notes 2, 3, 5, and 7)	Shinaga wa-ku, Tokyo	100,000,000	Holding corporation for companies engaged in air transport services and related businesses	51.5 (0.4)	maintains and manages buildings.
Consolidated subsidiaries					
JALUX EUROPE LTD. (note 4)	UK London	STG £ 1,500,000	Aviation-related Lifestyle services Customer services	100.0	purchases aircraft parts, in- flight cabin supplies, and in- flight sales supplies.
JALUX AMERICAS, INC. (note 4)	US Los Angeles	US \$ 5,000,000	Aviation-related Lifestyle services	100.0	purchases aircraft parts, in- flight cabin supplies, and in- flight sales supplies.
JALUX ASIA LTD.	Thailand Bangkok	THB 24,000,000	Lifestyle services	85.0	purchases sales products.
JAL-DFS CO., LTD. (notes 4 and 6)	Narita- City, Chiba	300,000	Customer services	60.0	sells goods for duty-free shops.
JALUX AIRPORT, INC.	Shinaga wa-ku, Tokyo	15,000	Customer services	100.0	commissions for airport shop management services.
Affiliates accounted for by the equity method					
TOKYO KOKU CLEANING CO., LTD.	Ota-ku, Tokyo	40,000	Aviation-related	30.0	commissions cleaning business for cabin and staff textiles.
TOKYO KINAI YOHIN CO., LTD.	Ota-ku, Tokyo	10,000	Aviation-related	20.0	purchases aircraft cabin equipment.
MARUYOSHI CO., LTD.	Bunkyo- ku, Tokyo	98,000	Aviation-related	25.6	purchases clothing for in-flight service supplies.
JAL LOGISTICS INC.	Ota-ku, Tokyo	144,000	Customer services	28.0	commissions customs clearance, warehouse storage, and transport for sales products.
SANEI MAINTENANCE CO., LTD.	Narita- City, Chiba	70,000	Customer services	28.6	commissions maintenance, management, and cleaning of facilities business.
KOUKUUKIZAI, Co., Ltd.	Ota-ku, Tokyo	15,000	Aviation-related	24.0	commissions repair and maintenance business of cabin equipment.
NORDIS CO., LTD.	Chitose- City, Hokkaido	50,000	Customer services	49.0	sells liquor and souvenirs.

Notes: 1. The name of the business segment is recorded in the "subject of business or occupation" column (excluding the parent company).
2. Submits a security report.
3. The voting rights ratio indicates the ownership ratio. Figures in parentheses indicate indirect ownership ratios.
4. Applicable to specific subsidiaries.
5. Japan Airlines System Corporation changed its name to Japan Airlines Corporation on June 26, 2004.
6. JAL/DFS Duty Free Shoppers Co., Ltd. changed its name to JAL-DFS Co., Ltd. on July 1, 2004.
7. Due to a stock transfer from Japan Airlines International Co., Ltd to Japan Airlines Corporation on November 24, 2004, Japan Airlines International Co., Ltd. ceases to be the parent company of JALUX. Japan Airlines Corporation is the sole parent company of JALUX.

Management Policies

(a) Basic Management Policies

I. Corporate philosophy

“Contributing to Tomorrow”

We enhance the well-being of society by constantly creating high-quality products and services to enrich customer lifestyles.

II. Corporate culture

‘Challenge & Change - Yes, We Can.’

We regard changing times as an opportunity to take on challenges fearlessly and resolutely, and to continuously transform ourselves.

III. Management position

We aim to develop the company by continually supplying good quality products and services to the customer, while at the same time strengthening corporate foundations by creating the capacity for long-term, stable profit growth, and returning profits to customers, shareholders, employees, and the community.

1. Focus on the customer: Cooperate to achieve customer satisfaction, and carry the conviction that we can “Contribute to Tomorrow.”
2. Prioritize the shareholder: Build long-term relationships with all shareholders and return stable profits.
3. Highlight employee contentment: Emphasize staff and family happiness, and create an environment where employees are motivated to work.
4. Contribute to corporate social responsibility: Emphasize CSR and tackle business activities while working to conserve resources and the environment.

(b) Basic aims concerning profit distribution

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

Regarding dividends paid out for the period ended March 2004, we added 4 yen to the ordinary dividend of 16 yen per share, making a total of 20 yen, in commemoration of transfer to the first section of the Tokyo Stock Exchange. For the period ended March 2005, we plan to distribute ordinary dividends of 22 yen per share as our profits rise.

We are also working to strengthen our financial structure and management base through our internal reserves, and we aim to return more income to the shareholders, and to meet the expectations of all the shareholders, through future business and profit expansion.

(c) Management index targets

Positioning return on assets (ROA) as an important management target, we aim to build and modify a highly efficient business model and a management style focused on balance sheets.

Concerning the key drivers of ordinary income to net sales and ordinary income to gross profit ratios, we have raised the standards over the past several years by improving management efficiency through such means as shifting resources to high-profit businesses. We are not complacent, but aim at further improvement through reviews of the business portfolio and raising cost efficiency.

Planned Management Targets for the Period Ending March 2008 (Consolidated)		
(million yen)	Results for period ended March 2005	Period ending March 2008 (plan)
Net sales	98,622	108,000
Ordinary income	2,878	4,000
Ratio of ordinary income to sales	2.9%	3.7%
Net income	1,435	2,100
R O E	13.0%	13.9%
R O A	4.1%	5.1%

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

In the mid- to long-term view, we aim to enhance market competitiveness and customer satisfaction by raising business quality, while also enhancing corporate value by exploiting strategic approaches and effective use of management resources.

Moreover, by following our corporate philosophy and management position while enhancing mid-long term profitability, we are aiming for new business development leading to continuous growth through the future growth areas of the environment, culture, and public welfare. In the mid-term, we aim to wrestle with each of the themes from the following business strategies and achieve each target.

Strengthen and expand existing businesses

1) Strengthen marketing power

Ascertain customer needs, focus on customer satisfaction, and strengthen quality management systems and divisional affiliations.

2) Strengthen group management

Focus on the air transport peripherals business for overseas and promote business outside the group.

3) Display the merger effect

Promote cost efficiencies and synergies with established businesses resulting from the merger with JAS Trading

4) Promote good investment

Expand sectors by investing aggressively in areas where we anticipate synergies from the combination of growth areas and established businesses.

5) Redistribute management resources

Optimize business overall by distributing resources primarily to growth areas and investigating and taking action on low-profit businesses.

Taking on new business

In the environment and culture fields, we are taking action to exploit management resources for the JAL group as a whole and to develop new businesses and products.

In the welfare field, we are taking action to cultivate knowledge and techniques for care businesses and expand profits, while at the same time developing business in secondary welfare fields.

(e) Corporate governance: Basic thinking and implementation

Basic thinking

We will continuously review the governance system to reinforce sound and efficient management. In order to strengthen these areas, we are working to establish an action model, promote consolidation of new regulations, and carefully observe laws and ordinances.

We are also working to improve fairness and transparency, disclose information quickly and accurately, and establish a specialist investor relations organization and appropriate advertising activities for investors (shareholders).

Implementation status

1) Content of corporate bodies

We are promoting management systems aligned with global standards from a standpoint of enhancing corporate governance. We aim to promote sound and efficient corporate management that is capable of swift decision making.

Board of directors

The board of directors comprises 15 directors, including two external directors. It is the highest body carrying out executive decisions and supervising important matters relating to our basic aims, strategy policies, and the Commercial Code. The board meets once a month. Three auditors (including two external auditors) sit on the board in a supervisory function, and carry out audits as appropriate

Administrative council

The administrative council comprises 12 standing directors and meets twice a month. The council discusses all key topics relating to company management, deliberates over matters that concern the board of directors, and takes essential decisions, with the aim of executing smooth corporate management. One statutory auditor also attends in a director's supervisory capacity, and carries out audits as appropriate.

The council also aims to conduct an overall review of our company's business. For products, services, transaction content, and business activities, we will reevaluate and take action where necessary from social, public, customer/market, conformance to regulations, risk handling, efficiency, and other positions. We aim to raise the quality of business and employees by establishing a business quality improvement committee and a business quality management department, and are fulfilling our corporate social responsibility while considering the environment and sincerely supporting the customers

In order to implement these aims, we have recently established JALUX group action guidelines and an in-house consultation and reporting system for business quality. In this way, we have established a positive system that transcends hierarchies and can grasp both good and bad information. We are also building a similar system to handle private information.

Board of auditors

The board of auditors is an independent body comprising three auditors. Two of these auditors are external. The board meets once every three months, and can conduct a detailed audit at any time it is considered necessary. The board is positioned as a body that carries out detailed audits ensuring propriety and legality, especially as it concerns JALUX business and finances.

In order to further strengthen our auditing business, we are carrying out daily audits including visiting audits in our subsidiaries both in Japan and overseas.

The relationships among the company, external directors, and external auditors are outlined below.

External director: JALUX undertakes damage insurance agency business on the basis of consulting contracts. In accordance with Commercial Code No. 188, clause 2, article 7.2, two external directors are appointed who hold the positions of senior executive managing director and executive managing director at damage insurance companies (Nissay Dowa General Insurance Co., Ltd. and Tokio Marine & Nichido Fire Insurance Co., Ltd.)

External auditor: JALUX has a transactional relationship for procurement supporting between Japan Airlines Corporation and Japan Airlines International Co., Ltd., and as stipulated in the “Regulations concerning exceptions in the Commercial Code relating to auditing of publicly owned companies,” No. 18, clause 1, the two external auditors appointed are to be a standing auditor and company executive for these clients.

2) Internal and financial auditing

Internal audits are carried out through the internal auditing and business quality management departments under the president's direct control. The aims of the audits are to guarantee business efficiency and compliance by ascertaining the state of business operations, and effecting improvements through internal audits regarding legality and propriety in all JALUX departments. Financial audits are contracted with Ernst & Young ShinNihon. As well as carrying out audits based on the Commercial Code and Securities and Exchange Act, informal viewpoints are also exchanged regularly. Compensation for financial auditors and compensation for non-auditing work undertaken are assumed to require prior in-house approval.

(f) Matters regarding the parent company

(1) Details of the parent company

Name	Status	Voting stock ownership (%)	Stock exchanges listing parent company shares
JAPAN AIRLINES CORPORATION	Parent company	51.9 (0.4)	Tokyo Stock Exchange, 1 st section Osaka Securities Exchange, 1 st section Nagoya Securities Exchange, 1 st section

Notes:

1.The figure in parentheses showing the voting rights ratio indicates the indirect ratio.

2.Through stock transfer from Japan Airlines International Co., Ltd. to Japan Airlines Corporation on November 24, 2004, Japan Airlines International Co., Ltd. ceases to be the parent company, and Japan Airlines Corporation becomes the sole parent company.

(2) The parent company's corporate group status as a listed company, and its relationship with other listed companies

JALUX's parent company is Japan Airlines Corporation, which possesses 51.9 percent of voting rights. JALUX has a transactional relationship (sales, business consulting, and other roles) with Japan Airlines Corporation, Japan Airlines International Co., Ltd, and other members of the JAL

group as a core distribution and services company.

Concerning relations with each member of the JAL group, while JALUX remains an independently listed company, it maintains close relations with JAL group companies, especially Japan Airlines Corporation, and aims to create synergies through business development maximizing the management resources of the JAL group. As well as contributing greatly to the development of the JALUX group business, we are convinced that this relationship raises the corporate value of the JAL group as a whole.

With the aim of developing our business, we respond to JAL group (Japan Airlines International Co., Ltd.) requests, and accept personnel dispatched from JAL, especially those possessing unique aviation-related expertise. The composition of management — transferees, JALUX alumni, and external directors — guarantees our independence. Furthermore, there is no relationship of debt guarantee or warranty from the parent company.

Moreover, whenever JALUX uses trademarks and sales channels owned by the JAL group, we obtain permission and pay the appropriate price.

Belonging to the JAL group and having JAL group customers restricts business developments that run counter to the JAL group corporate philosophy of pursuing safety and quality. Additionally, any substantial changes occurring in the JAL brand's reliability, the airline industry, or passenger number trends could impact the JALUX group's results. (Please refer to "Operating Results and Financial Status," "(c) Business and other risks," p.13).

(3) Transactions with parent and other companies

For transactions with parent and other companies, please refer to "Operating Results and Financial Status," "(c) Business and other risks," p.13, or Consolidated Financial Statements [transactions with related parties], p.28.

Operating Results and Financial Status

(a) Operating Results

Overall Results in the Current Period

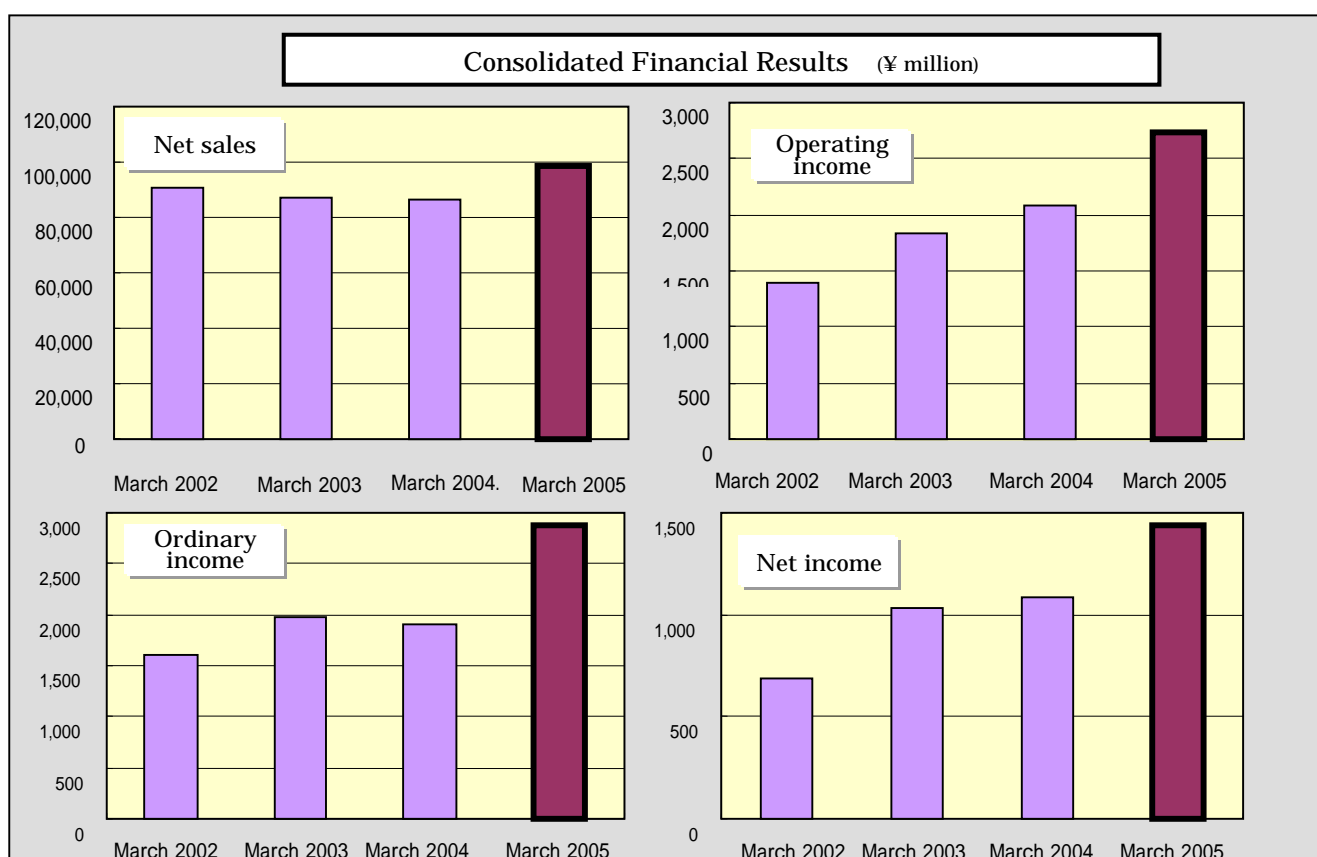
Recovery of demand in international passengers and other areas of the aviation market in the interim period, and the full-year contribution of the effect of the January 2004 merger with JAS Trading have produced strong results in each of the aviation, lifestyle, and customer service segments.

Revenues and profits have both risen dramatically, for two main reasons. One is the rise in duty-free sales targeting international passengers in JAL-DFS shops at Narita's New Tokyo International Airport and on board international flights. The other is the increased efficiency of the BLUE SKY domestic airport shops and the shop expansion arising from the merger.

Aircraft parts, foods, creative design and printing, and life design services (insurance and real estate) have also performed well.

Net sales reached 98,622 million yen, exceeding those for March 2004. Measures to keep the lid on the rise in sales, general and administrative expenses accompanying the merger led to an operating income of 2,741 million yen and ordinary income of 2,878 million yen, both figures greatly exceeding those for March 2004. Even allowing for special losses and corporation tax, net income for the period ended March 2005 reached 1,435 million yen, greatly exceeding the figure for March 2004 and marking the third successive period of optimum profits.

Operating Results (¥ million)	Previous period (year ended March 2004)	Current period (year ended March 05)	Change (%)	Increase/ Decrease
Net sales	86,089	98,622	114.6	12,533
Operating income	2,081	2,741	131.7	660
Ordinary income	1,914	2,878	150.3	963
Net income	1,085	1,435	132.3	350



Each segment in the current period

The situation for each segment is shown as follows. Numerical values for each line of business show inter-segment net sales, transfers, and non-allocatable operating expenses amounts prior to adjustment.

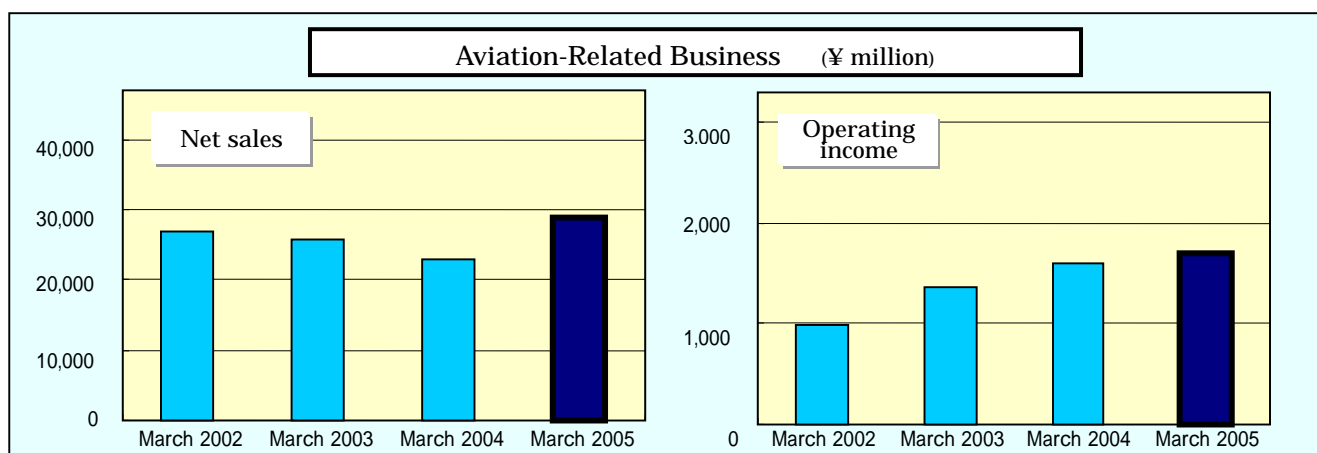
1) Aviation-related business

Net sales and operating income for aerospace, fuel, and machinery and materials all exceeded the figures for March 2004. Causes include the recovery of demand in the aviation market alongside increased earnings from aircraft parts, engine parts, and cabin service supplies, the supply of machinery and materials at Chubu International Airport, and the strong turnaround in the aircraft and fuel procurement business.

Net sales and operating income for in-flight services also exceeded the figures for March 2004. Causes include the recovery of demand and strong results in the cabin supplies, textiles and uniform procurement businesses and the cleaning business. Other factors were the success of new product planning and recovery in demand for duty-free, in-flight sales products on international flights.

As a result of these factors, net sales reached 28,977 million yen and operating income reached 1,706 million yen.

Aviation-related business(¥ million)	Previous period (year ended March 2004)	Current period (year ended March 2005)	Change (%)	Increase/ Decrease
Net sales	22,936	28,977	126.3	6,040
Operating income	1,604	1,706	106.3	101



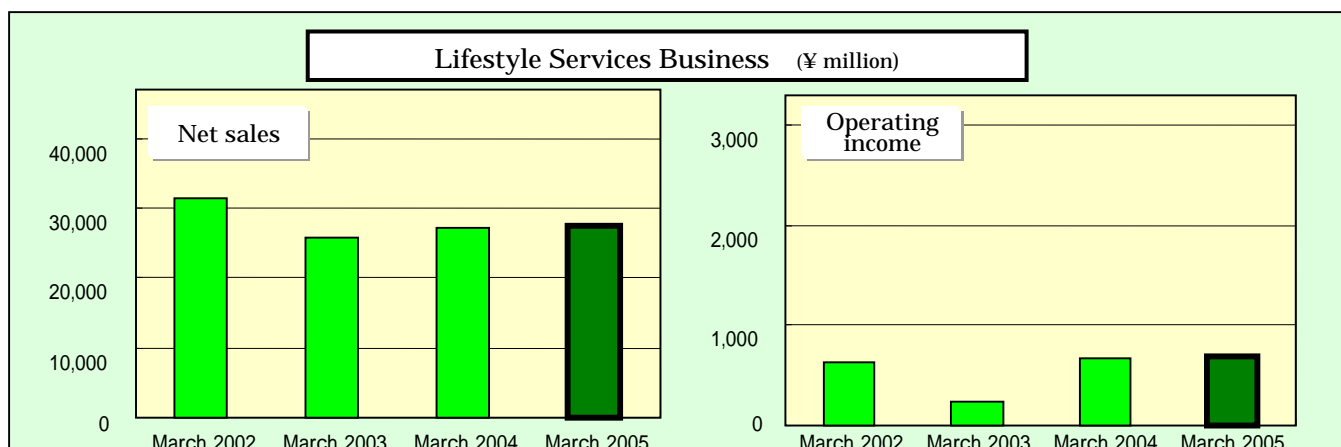
2) Lifestyle services business

Net sales and operating income for general merchandise (direct mail) fell short of the figure for March 2004. Wholesale revenues fell, and while income rose from such sources as the JAL SHOP and JAL World Shopping Club catalogs, and especially from the Gourmet First Class food product catalog and the JAL Shopping web mall, the cost of test marketing in preparation for expansion of the customer base caused total profits to fall.

In the food and beverage division, net sales and operating income both rose over the figures for March 2004. Import and processing sales of frozen marine products and vegetables continued to perform well, as did JAL SELECTION de Sky Series and other processed foods and in-flight food-related ingredients. Earnings from gift foods, wine, and liquor also rose.

As a result of these factors, net sales reached 27,404 million yen and operating income reached 683 million yen.

Lifestyle services business (¥ million)	Previous period (year ended March 2004)	Current period (year ended March 2005)	Change (%)	Increase/ Decrease
Net sales	27,257	27,404	100.5	146
Operating income	670	683	102.0	13



3) Customer services business

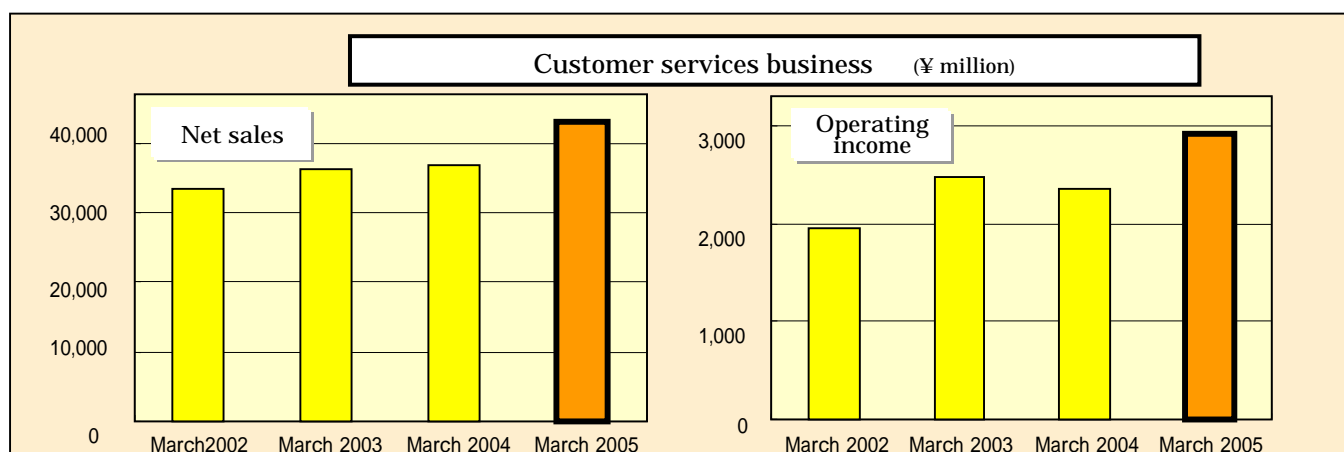
Net sales and operating income for the media and life design division both exceeded the figures for March 2004. For creative design & printing, earnings rose from media creation (consulting) such as JAL timetables and general business targeted creation such as printed matter and electronic media, as well as sales of paper for printing. In the life design area (insurance and real estate), strong results were seen in the expansion of the customer base, insurance demand for passengers travelling abroad, sub-leasing of real estate connected with Chubu International Airport and in other areas.

Additionally, we have established a care facility operation company as a joint venture and a fee-paying old people's home (JALUX Good Time Home Chofu). We have also launched new initiatives aimed at enhancing future corporate value, including a JAL vacation ownership system (resort property time share).

Net sales and operating income for airport shops greatly exceeded the figures for March 2004. At domestic airports, an increase in earnings from BLUE SKY shops has accompanied the merger with JAS Trading. The JAL-DFS shops at Narita's New Tokyo International Airport have benefited greatly from the recovery in demand from international passengers, transferred and increased floor-space for the shops specializing in the BVLGARI brand, and the opening of other shops specializing in the MONTBLANC brand.

As a result of these factors, Net Sales reached 43,153 million yen and operating income reached 2,919 million yen.

Customer services business (¥ million)	Previous period (year ended March 2004)	Current period (year ended March 2004)	Change (%)	Increase/ Decrease
Net sales	36,700	43,153	117.6	6,452
Operating income	2,357	2,919	123.8	561



Operating Results Outlook for the Next Period

Although the outlook for the international situation is unclear, the trend for the Japanese economy is one of gradual recovery. A slow rise in demand is also forecast for both international and domestic passengers.

Over the next period, the company overall aims to enhance market competitiveness by continuing to improve the quality of all company businesses, and to ensure that it achieves its targets.

For aviation-related business, we aim to further expand our business base through growth of aircraft parts storage and supply businesses launched in the current period and participation in airport infrastructure businesses that exploit the group's knowledge effectively,. At the same time we aim to ensure a steady profit from consulting and support.

In the lifestyle creation area, especially for mail-order sales, we aim to strengthen and expand the customer base (scale) with an approach based on product quality, competitiveness, and accuracy. At the same time, we aim to promote effective operation and increase profits. In the foods area, we aim to focus on developing value-added products and increasing profits.

To enhance value in the mid- to long-term view, we aim to produce new developments in the important areas of the environment, culture, and welfare. In the culture business, especially, the sale of a set of China travelogue DVDs is expected to contribute to higher profits in the next period.

From these factors we predict increases in income and profit as follows.

Operating Results (¥ million)	Current period (year ended March 2005)	Next period (year ending March 2006)	Change (%)	Increase/ Decrease
Net sales	98,622	103,000	104.4	4,377
Ordinary income	2,878	3,200	111.2	321
Net income	1,435	1,600	111.4	164

(b) Financial Position

Cash and cash equivalents at the end of the current period rose 1,028 million yen, or 125.1 percent, over the previous period to reach 5,134 million yen. This rise came from a firm market for operating transactions as well as repayment of rental deposit loans for the lease of airport buildings as the redemption period became due.

The content of the cash flows for the current period is as follows.

Operating activities

The fall in notes and accounts payable to the parent company and new transactions with the consolidated US subsidiary has led to an increase in inventories in the current period. At the same time, the recovery in demand from international passengers and other aspects of the aviation market, as well as the full-year contribution of the merger effect following the merger with JAS Trading, led to a strong performance in income from operating transactions. As a result, capital obtained from operating activities in the current accounting period rose 526 million yen, or 35.7 percent, over the previous period to reach 2,001 million yen.

Investing activities

The current period saw repayment of rental deposits (originally laid out for the lease of airport buildings) as the redemption period became due and the repayment of deposits following the withdrawal of unprofitable shops. Fixed assets also gained from the airport shop sector as established shops were remodeled and new shops opened, although the opening of the new shops also involved deposit payments. Meanwhile, the US subsidiary replaced its fixed assets in the form of training aircraft, and we entered new business areas, namely, establishing a company to

operate care facilities and a digital content creation fund. As a result of these developments, capital from investing activities totaled 385 million yen, compared with a cash outflow of 211 million yen in the previous period.

Financing activities

The current accounting period saw a fall in long- and short-term debts through repayment aimed at reducing the interest burden. As a result, assets used in financing activities rose 471 million yen, or 52.5 percent, over the figure for the previous period to reach 1,371 million yen.

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

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

Shareholders' equity ratio: Shareholders' equity/total assets

Shareholders' equity at market value: market capitalization of stock/total assets

Debt repayment (yrs): Interest-bearing debt/operating cash flow

Interest coverage ratio: Operating cash flow/interest payment

Notes:

1. All financial values are calculated on a consolidated basis.
2. "Market capitalization of stock" is calculated as stock price value at end of period × total number of shares issued at end of period.
3. "Operating cash flow" uses cash flow from operating activities reported on the consolidated Cash Flow Financial Report. "Interest-bearing debts" target all debts where interest is payable from among the debts reported on the Consolidated Balance Sheet. "Interest payment" uses interest payment figures recorded on the consolidated Cash Flow Financial Report.

(c) Business and other risks

Risk factors that could affect the business development of the JALUX group are listed below.

JALUX pays close attention to the causes of these risks, and endeavours either to avoid their occurrence or to respond in the optimum way if they should occur.

(1) Relations with the JAL (Japan Airlines) group

JALUX is a subsidiary of Japan Airlines Corporation, and also undertakes product sales and consulting work for Japan Airlines Corporation, Japan Airlines International Co., Ltd. and other JAL group members.

The figures below show the JALUX group sales amounts and percentage change (including consolidated net sales) for the period ended March 2005. Any significant change in the relationship with the JAL group happening in the future may impact the performance of the JALUX group.

	Ended March 2004		Ended March 2005	
	Amount (million yen)	Change (%)	Amount (million yen)	Change (%)
Japan Airlines Corporation	20	0.0	27	0.0
Japan Airlines International Co., Ltd.	15,782	18.3	17,649	17.9
Other JAL group companies	10,681	12.4	12,766	12.9
Total	26,484	30.8	30,443	30.9

Note: The above figures do not include consumption tax.

(2) The impact of airline passenger numbers

Any substantial change in airline passenger numbers may impact the performance of the JALUX group. The JALUX group businesses most affected, either directly or indirectly, by changes in airline passenger numbers are as follows.

- 1) Most affected by international passenger numbers: On board sales products and food business, JAL-DFS duty-free shop at Narita's New Tokyo International Airport, JAL Plaza Igrisuya (London gift shop), Plaza Wien Jalux (Vienna gift shop)
- 2) Most affected by domestic passenger numbers: In-flight mail-order business, BLUE SKY domestic airport shops

The net sales for these businesses reach around 40 percent of consolidated net sales. In recent years, the terrorist attack on the United States, the Iraq war and SARS caused international passenger numbers to fall in the fiscal years ended March 2002 and March 2004.

(3) Relationship of trust between the corporate brand and the customer

As well as effectively exploiting the JALUX brand and the JAL brand, business develops on a basis of customer trust built on the quality of products and services. Any change taking place in this trust and popularity, or any major problem occurring with the quality of our products and services leading to loss of trust could impact the performance of the JALUX group.

On the listing on the first section of the Tokyo Stock Exchange in April 2004, JALUX established a Business Quality Improvement Committee. We are taking initiatives to further improve the quality of our overall business activities, and to develop as a socially aware "good corporate citizen" on a basis of legality and fairness.

(4) Entering new business areas

The mid-term business plan predicts sustained growth for the JALUX group from the cultivation of new mainstay businesses. We also plan new business development in the three areas of the environment, culture, and welfare based on our corporate philosophy. Specifically, in the period ended March 2005, we invested in establishing a care business operating company and creating travelogue content. We invested after careful consideration, and we are convinced that these businesses will contribute to the future profit growth of the JALUX group. There is no guarantee, however, that we will achieve the results predicted in the plan.

(5) The Cecile and Belluna lawsuits

JALUX was named as the other party in a damages lawsuit by Cecile Co., Ltd. (headquarters in Takamatsu city, Kagawa prefecture) on October 8, 2004, and by Belluna Co., Ltd. (headquarters in

Ageo city, Saitama prefecture) on March 18, 2005. The processes and details are as follows.

The catalog description of Retort Curry supplied by JALUX to both companies was deemed to violate the "Law for Preventing Unjustifiable Extra or Benefit and Misleading Representation." On July 13, 2004, the Fair Trade Commission issued an exclusion order to both companies. Both companies accepted the order. Details of the exclusion order were published in a national newspaper, and Cecile refunded money to its customers.

Cecile and Belluna launched damage lawsuits against us for costs of 142 million yen and 300 million yen respectively. Cecile asserted that JALUX, as the supplier of origin, was guilty of non-performance of obligation and unlawful acts. Belluna asserted that JALUX was guilty of non-performance of obligation.

JALUX judges that this lawsuit, which is currently in progress, has no foundation. Nevertheless, it may have an impact on our business performance.

Consolidated financial statements

1. Consolidated balance sheets

(thousand yen)

		End of previous term (as of March 31, 2004)		End of current term (as of March 31, 2005)		Change		
Account		Amount		Composi- tion rate (%)	Amount		Composi- tion rate (%)	Amount
(Assets)								
Current assets								
1 . Cash and deposits			4,130,377			5,218,478		
2 . Notes and accounts receivable			12,042,887			11,013,960		
3 . Inventories			5,115,801			5,210,814		
4 . Deferred tax assets			412,545			424,203		
5 . Other			2,401,650			2,961,492		
Allowance for doubtful accounts			-34,876			-33,777		
Total current assets			24,068,386	67.4		24,795,171	70.5	726,785
Fixed assets								
1 . Property, plant and equipment								
(1) Buildings and structures		4,385,208			4,260,217			
Accumulated depreciation		1,952,957	2,432,251		1,899,089	2,361,128		
(2) Machinery and delivery equipment		556,730			549,354			
Accumulated depreciation		446,592	110,138		458,240	91,113		
(3) Aircraft		3,015,537			2,241,948			
Accumulated depreciation		1,612,730	1,402,807		749,274	1,492,674		
(4) Other		625,367			697,467			
Accumulated depreciation		392,338	233,028		378,339	319,128		
(5) Land			445,033			388,772		
(6) Construction in progress			25,363			19,188		
Total property, plant and equipment			4,648,623	13.0		4,672,005	13.3	23,381
2 . Intangible fixed assets								
(1) Software			463,680			454,253		
(2) Other			76,905			37,584		
Total intangible fixed assets			540,586	1.5		491,838	1.4	-48,747

(thousand yen)

		End of previous term (as of March 31, 2004)		End of current term (as of March 31, 2005)		Change
Account		Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount
3 . Investments and other assets						
(1) Investment securities		2,065,892		2,181,973		
(2) Investment affiliated		1,395,753		499,693		
(3) Long-term rental deposits		2,357,550		1,793,931		
(4) Deferred tax assets		317,633		382,316		
(5) Other		531,164		503,651		
Allowance for doubtful accounts		-218,835		-155,885		
Total investments and other assets		6,449,158	18.1	5,205,680	14.8	-1,243,477
Total fixed assets		11,638,368	32.6	10,369,524	29.5	-1,268,844
Total assets		35,706,754	100.0	35,164,696	100.0	-542,058
(Liabilities)						
Current liabilities						
1 . Notes and accounts payable		12,312,416		10,863,128		
2 . Short-term debt		3,267,786		3,357,608		
3 . Accrued corporate tax, etc.		647,475		805,075		
4 . Accrued expenses		2,407,207		2,141,546		
5 . Other		1,708,160		2,374,229		
Total current liabilities		20,343,046	57.0	19,541,588	55.6	-801,458
Fixed liabilities						
1 . Long-term debt		3,618,824		2,458,666		
2 . Directors' retirement allowances		212,202		329,100		
3 . Addition to reserve for compensation to retired directors		139,452		174,950		
4 . Other		289,899		310,257		
Total fixed liabilities		4,260,379	11.9	3,272,975	9.3	-987,404
Total liabilities		24,603,426	68.9	22,814,563	64.9	-1,788,862

(thousand yen)

		End of previous term (as of March 31, 2004)			End of current term (as of March 31, 2005)			Change
Account		Amount		Composi- tion rate (%)	Amount		Composi- tion rate (%)	Amount
(Minority interests)								
Minority interests			626,225	1.8		733,930	2.1	107,704
(Shareholders' equity)								
Common stock			2,558,550	7.1		2,558,550	7.3	-
Paid-in capital			711,260	2.0		711,296	2.0	36
Retained earnings			7,448,233	20.8		8,608,902	24.5	1,160,669
Unrealized gains on securities			8,053	0.0		10,413	0.0	2,360
Conversion adjustment			-242,130	-0.6		-263,946	-0.8	-21,816
Treasury stock			-6,863	-0.0		-9,013	-0.0	-2,149
Total shareholders' equity			10,477,102	29.3		11,616,202	33.0	1,139,100
Total liabilities, minority interests and shareholders' equity			35,706,754	100.0		35,164,696	100.0	-542,058

2. Consolidated income statements

(thousand yen)

Account		Previous term (April 1, 2003 - March 31, 2004)			Current term (April 1, 2004 - March 31, 2005)			Change
		Amount		Composi- tion rate (%)	Amount		Composi- tion rate (%)	Amount
Net sales			86,089,991	100.0		98,622,995	100.0	12,533,00 ₃
Cost of sales			65,845,097	76.5		75,549,297	76.6	9,704,199
Gross profit			20,244,894	23.5		23,073,698	23.4	2,828,804
Selling, general and administrative expenses								
1 . Packing and transportation expenses		1,059,310			1,075,230			
2 . Payroll allowance		6,919,150			7,709,107			
3 . Employee retirement expenses		287,176			300,254			
4 . Rent expenses		3,757,545			4,532,793			
5 . Depreciation and amortization		351,087			378,564			
6 . Addition to reserve for compensation to retired directors		49,369			54,181			
7 . Other		5,739,892	18,163,531	21.1	6,281,897	20,332,031	20.6	2,168,499
Operating income			2,081,362	2.4		2,741,667	2.8	660,305
Non-Operating income								
1 . Interest income		40,830			42,343			
2 . Dividends		55,320			38,274			
3 . Equity in earnings of affiliates		84,847			78,921			
4 . Other		140,432	321,430	0.4	190,255	349,795	0.3	28,364
Non-Operating expenses								
1 . Interest paid		75,929			69,082			
2 . Exchange loss		342,910			110,201			
3 . Other		69,472	488,312	0.6	34,171	213,455	0.2	-274,856
Ordinary income			1,914,480	2.2		2,878,007	2.9	963,526
Extraordinary profit								
1 . Gain on sales of fixed assets		306,203			237,385			
2 . Gain on sales of investment securities		123,114	429,318	0.5	15,995	253,381	0.3	-175,936

(thousand yen)

		Previous term (April 1, 2003 - March 31, 2004)			Current term (April 1, 2004 - March 31, 2005)			Change
Account		Amount		Composi- tion rate(%)	Amount		Composi- tion rate(%)	Amount
Extraordinary loss								
1 . Fixed asset disposal losses		51,981			156,139			
2 . Fixed asset impairment losses		-			123,340			
3 . Valuation loss on investment securities		7,800			-			
4 . Loan financing redemption commissions		47,574			-			
5 . Other		3,377	110,734	0.1	800	280,279	0.3	169,545
Net income before adjustment of taxes, etc.			2,233,064	2.6		2,851,108	2.9	618,043
Corporate income taxes, resident taxes, etc.		1,207,818			1,349,346			
Deferred income taxes		-166,573	1,041,244	1.2	-78,800	1,270,546	1.3	229,302
Minority interest in income of consolidated subsidiaries			106,409	0.1		144,891	0.1	38,482
Net income			1,085,411	1.3		1,435,670	1.5	350,258

3. Consolidated statement of shareholders' equity

(thousand yen)

		Previous term (April 1, 2003 - March 31, 2004)		Current term (April 1, 2004 - March 31, 2005)	
Account		Amount		Amount	
(Paid-in capital)					
At beginning of period			661,250		711,260
Increase					
1 . Treasury stocks disposal margin		10		36	
2 . Increase due to merger		50,000	50,010	-	
Paid-in capital at end of period			711,260		711,296
(Retained earnings)					
At beginning of period			6,148,284		7,448,233
Increase					
1 . Net income		1,085,411		1,435,670	
2 . Increase due to merger		422,186	1,507,598	-	1,435,670
Decrease					
1 . Cash dividend paid		195,960		255,439	
2 . Directors' bonuses paid		11,690	207,650	19,562	275,001
Retained earnings at end of period			7,448,233		8,608,902

4. Consolidated cash flow statement

(thousand yen)

		Previous term (April 1, 2003 - March 31, 2004)	Current term (April 1, 2004 - March 31, 2005)	Change
Account		Amount	Amount	Amount
Net cash from operating activities				
Net income before adjustment of taxes, etc.		2,233,064	2,851,108	618,043
Depreciation and amortization		637,524	634,346	-3,177
Increase (decrease) in doubtful debt reserve		55,672	-9,234	-64,907
Increase (decrease) in employee retirement expenses		103,106	116,898	13,791
Interest and dividends received		-96,150	-80,618	15,532
Interest paid		75,929	69,082	-6,847
Exchange gain or loss		777	-3,192	-3,969
Equity in earnings of affiliates		-84,847	-78,921	5,926
Loss on retirement of fixed assets		-262,686	-81,246	181,440
Fixed asset impairment losses		-	123,340	123,340
Gain on sales of investment securities		-123,114	-15,995	107,118
Valuation loss on investment securities		7,800	-	-7,800
Increase (decrease) in accounts receivable		-702,146	979,608	1,681,755
Increase (decrease) in inventories		197,212	-101,030	-298,243
Increase (decrease) in accounts payable		1,074,175	-1,445,848	-2,520,023
Increase (decrease) in bankruptcy claims, etc.		-60,172	47,587	107,760
Directors' bonuses		-12,950	-20,570	-7,620
Other		-438,441	270,005	708,446
Subtotal		2,604,753	3,255,320	650,566
Interest and dividends received		107,875	94,819	-13,056
Interest paid		-80,123	-66,912	13,210
Corporate taxes paid		-1,157,629	-1,281,854	-124,224
Net cash provided by operating activities		1,474,876	2,001,372	526,496

(thousand yen)

		Previous term (April 1, 2003 - March 31, 2004)	Current term (April 1, 2004 - March 31, 2005)	Change
Account		Amount	Amount	Amount
Net cash from investing activities				
Payments for acquisition of property, plant and equipment		-836,715	-699,801	136,914
Proceeds from sales of property, plant and equipment		494,320	243,822	-250,497
Payments for acquisition of intangible fixed assets		-218,370	-119,932	98,438
Payments for acquisition of investment in subsidiaries and affiliates		-	-50,000	-50,000
Payments for acquisition of securities and investment securities		-	-51,264	-51,264
Proceeds from sales of securities and investment securities		202,457	78,376	-124,081
Expenses for paid-in capital		-50,000	-50,000	-
Expense for loans		-2,800	-121,685	-118,885
Proceeds from loan collection		128,502	612,942	484,439
Payments for term deposits		-10,002	-	10,002
Refund from term deposits		10,000	272	-9,727
Expense for increase in long-term rental deposits		-93,103	-100,934	-7,831
Income from decrease in long-term rental deposits		44,387	700,135	655,747
Other		120,050	-56,009	-176,060
Net cash from investing activities		-211,273	385,922	597,195

(thousand yen)

		Previous term (April 1, 2003 - March 31, 2004)	Current term (April 1, 2004 - March 31, 2005)	Change
Account		Amount	Amount	Amount
Net cash from financing activities				
Net increase (decrease) in short-term debt		19,177	-258,160	-277,337
Proceeds from increase in long-term debt		2,484,280	468,900	-2,015,380
Payments for long-term debt		-2,817,850	-1,288,953	1,528,897
Payments for redemption of debenture		-350,000	-	350,000
Dividends paid		-195,960	-255,439	-59,479
Dividends paid to minority shareholders		-36,000	-36,000	-
Other		-3,189	-1,868	1,321
Net cash from financing activities		-899,542	-1,371,520	-471,978
Conversion effect on cash and cash equivalents		5,753	12,875	7,121
Net increase in cash and cash equivalents		369,814	1,028,649	658,835
Cash and cash equivalents at beginning of period		3,523,755	4,106,222	582,466
Increase due to merger		212,651	-	-212,651
Cash and cash equivalents at end of period		4,106,222	5,134,871	1,028,649

Segment Data

By business type

Previous consolidated accounting period (April 1, 2003 to March 31, 2004) (thousand yen)						
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
. Net sales, operating income and loss						
Net sales						
1 . External customers	22,219,979	27,174,191	36,695,820	86,089,991	-	86,089,991
2 . Inter-segment internal sales / 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
. Assets, depreciation and amortization, and capital expenditure						
Assets	10,772,286	7,208,940	12,847,919	30,829,146	4,877,607	35,706,754
Depreciation and amortization	308,162	75,005	181,590	564,759	72,764	637,524
Capital expenditure	722,343	35,992	465,147	1,223,483	88,664	1,312,148

Note: 1. Method of business classification

Businesses are classified with consideration for sales targets and methods, products supplied, and profit/loss aggregates.

2. Main products and sales for each business

- | | | |
|------------------------|-------|--|
| (1) Aviation-related | ----- | Aircraft, aircraft components, aircraft fuel, machinery, equipment & materials, cabin service supplies, in-flight sales, and textile supplies (consulting service and supporting work, wholesale business, etc.) |
| (2) Lifestyle services | ----- | Jewelry & general merchandise, agricultural & marine products, processed foods, food gift items, and wine & liquor (catalog sales, Web sites, wholesale business, etc.) |
| (3) Customer services | ----- | Creative design & printing, life design services (insurance/FP, real estate), Blue Sky airport shops, and JAL-DFS duty-free shops |

3. For operating expenses in the current accounting period, non-allocatable operating expense included in the elimination or unallocated amount totalled 2,553 million yen. The main reason was costs relating to the administrative division of the General Affairs department at the parent company's headquarters.

4. For assets in the current accounting period, whole-firm assets including elimination or unallocated amount totalled 5,295 million yen. Factors included assets relating to the parent company's long-term investment assets (investment securities) and the administrative division.

Current consolidated accounting period (April 1, 2004 to March 31, 2005) (thousand yen)						
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
. Net sales, operating income and loss						
Net sales						
1 . External customers	28,141,383	27,331,712	43,149,899	98,622,995	-	98,622,995
2 . Inter-segment internal sales / transfers	835,799	72,456	3,170	911,427	(911,427)	-
Total	28,977,183	27,404,169	43,153,070	99,534,423	(911,427)	98,622,995
Operating expenses	27,270,612	26,720,410	40,233,701	94,224,725	1,656,603	95,881,328
Operating income	1,706,570	683,758	2,919,369	5,309,698	(2,568,030)	2,741,667
. Assets, depreciation and amortization, and capital expenditure						
Assets	11,223,935	7,161,095	11,962,018	30,347,049	4,817,646	35,164,696
Depreciation and amortization	269,370	66,955	224,511	560,837	73,509	634,346
Impairment loss	-	-	72,017	72,017	51,322	123,340
Capital expenditure	308,047	36,484	589,536	934,068	43,357	977,425

Note: 1. Method of business classification

Businesses are classified with consideration for sales targets and methods, products supplied, and profit/loss aggregates.

2. Main products and sales for each business

- | | | |
|------------------------|-------|--|
| (1) Aviation-related | ----- | Aircraft, aircraft components, aircraft fuel, machinery, equipment & materials, cabin service supplies, in-flight sales, and textile supplies (consulting service and supporting work, wholesale business, etc.) |
| (2) Lifestyle services | ----- | Jewelry & general merchandise, agricultural & marine products, processed foods, food gift items, and wine & liquor (catalog sales, Web sites, wholesale business, etc.) |
| (3) Customer services | ----- | Creative design & printing, life design services (insurance* FP, real estate), "Blue Sky" airport shops, and "JAL-DFS" duty-free shops |

3. For operating expenses in the current accounting period, non-allocatable operating expense included in the elimination or unallocated amount totalled 2,568 million yen. The main reason was costs relating to the administrative division of the General Affairs department at the parent company's headquarters.
4. For assets in the current accounting period, the total whole-firm assets including elimination or unallocated amount totalled 5,028 million yen. Factors included assets relating to parent company's long-term investment assets (investment securities) and the administrative division.

By location

	Previous consolidated accounting period (April 1, 2003 to March 31, 2004) (thousand yen)					
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
. Net sales, operating income and loss						
Net sales						
1 . External customers	83,378,350	1,418,062	1,293,579	86,089,991	-	86,089,991
2 . Inter-segment internal sales / 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 (or loss)	1,846,887	30,671	(164,725)	1,712,833	368,528	2,081,362
. Assets	33,225,637	4,116,983	711,591	38,054,212	(2,347,458)	35,706,754

Note: 1. National and regional classifications depend on geographical proximity.

2. The breakdown of regions outside Japan is as follows:

(1) North America: United States

(2) Other regions: UK, Thailand

	Current consolidated accounting period (April 1, 2004 to March 31, 2005) (thousand yen)					
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
. Net sales, operating income and loss						
Net sales						
1 . External customers	95,132	1,825	1,666	98,623	-	98,623
2 . Inter-segment internal sales / transfers	284	7,617	1,559	9,460	(9,460)	-
Total	95,415	9,442	3,225	108,083	(9,460)	98,623
Operating expenses	92,769	9,309	3,404	105,482	(9,601)	95,881
Operating income (or loss)	2,647	133	(179)	2,600	141	2,742
. Assets	31,988	5,130	632	37,750	(2,585)	35,165

Note: 1. National and regional classifications depend on geographical proximity.

2. The breakdown of regions outside Japan is as follows:

(1) North America: United States

(2) Other regions: UK, Thailand

Overseas net sales

Since overseas net sales make up less than 10 percent of consolidated net sales, they were omitted from the table for the previous accounting period (April 1, 2003 to March 31, 2004) and current accounting period (April 1, 2004 to March 31, 2005).

Transactions with affiliates

Previous consolidated accounting period (April 1, 2003 to March 31, 2004)

(1) Parent company and major shareholder corporations

Status	Parent company		
Name	JAPAN AIRLINES INTERNATIONAL CO., LTD.		
Address	Shinagawa-ku, Tokyo		
Capital or investment (¥ thousand)	188,550,335		
Subject of business or occupation	Air transport service		
Percentage of voting stock ownership	Direct: 54.1% Indirect: 0.2%		
Related matters	Common board members	Transferred residence	5
		Holding additional posts	2
	Business relationship	Procurement consulting and support services & sales relating to aviation	
Transaction details and amounts (¥ thousand)	Procurement and sales of aircraft components and cabin service goods.	14,576,148	
	Product warehousing	1,250,619	
Account and balance at end of period (¥ thousand)	Accounts receivable	3,652,792	
	Accounts payable	212,428	

Transaction conditions and decision-making policy

- (1) When undertaking procurement, supporting and consulting work relating to sales of aircraft parts, cabin supplies and other items, decisions are to be made after taking into consideration market value and general cost price, suggesting a desired price, and negotiating in each period.
- (2) Concerning other transactions, decisions are to be made through discussions after considering market trends.
- (3) On April 1, 2004, Japan Airlines Co., Ltd. changed its name to Japan Airlines International Co., Ltd.
Note: Consumption tax does not apply to transaction sums.

(2) Sister companies

Status	Subsidiary of a parent company					
Name	GLOBAL BUILDING CO., LTD	JAPAN TRANSOCEAN AIR CO., LTD	JAL CAPITAL CO., LTD.	JAL SALES CO., LTD.		
Address	Shinagawa-ku, Tokyo	Naha-City, Okinawa	Shinagawa-ku, Tokyo	Shinagawa-ku, Tokyo		
Capital or investment (¥ thousand)	6,954,000	4,537,200	3,500,000	3,250,000		
Subject of business or occupation	Building management	Air transport service	Finance and general leasing	Travel		
Percentage of voting stock ownership	None	Direct: 0.0%	None	Indirect: 0.2%		
Related matters	Common board members	None	None	None	None	
	Business relationship	Office leasing of own building	Aircraft components supply	Own-company loans	Product sales and printing business consulting	
Transaction details and Amount (¥ thousand)	Building leasing	Sales of aircraft parts	Loans of operating and equipment capital	Product sales	Sales of investment securities	
	413,759	1,962,760	Loans 31,750,000 Redemption 30,150,000	573,733	Cost of sales 162,457	Gain on sales 123,114
Account and balance at end of period (¥ thousand)	Long-term rental deposits	Accounts receivable trade	Short-term debt	Interest paid	Accounts receivable trade	
	546,051	396,524	1,600,000	8,822	554,719	

Transaction conditions and decision-making policy

- (1) Global Building Co., Ltd. building leases are negotiated on a two-yearly basis according to the transactional conditions in the proximate area.
- (2) Concerning Japan Transocean Air Co., Ltd. aircraft parts sales, decisions are to be made after taking into

consideration market value and general cost price, suggesting a desired price, and negotiating in each period.

- (3) JAL Capital Co., Ltd. loans of operating and equipment capital are determined by short-term prime rates and Japanese yen-denominated TIBOR.
- (4) Concerning JAL Sales Co., Ltd. sales of shares, sales amounts are determined by the net asset value at market price.

Note: Consumption tax does not apply to transaction sums.

(3) Subsidiaries, etc.

Status	Affiliate company		
Name	TOKYO KOKU CLEANING CO., LTD.		
Address	Ota-ku, Tokyo		
Capital or investment (¥ thousand)	40,000		
Subject of business or occupation	Aviation-related business		
Percentage of voting stock ownership	Direct: 30.0%		
Related matters	Common board members	Holding additional posts	2
	Business relationship	Product sales and commissioning cleaning business	
Transaction details and amount (¥ thousand)	Sales of fixed assets	Cost of sales	216,800
		Gain of sales	38,304
Account and balance at the end of term (¥ thousand)			

Transaction conditions and decision-making policy

- (1) Sales of fixed assets for Tokyo Koku Cleaning Co., Ltd., are determined on the basis of realtor evaluation.

Note: Consumption tax does not apply to transaction sums.

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

(1) Parent company and major shareholder corporations

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

Transaction conditions and decision-making policy

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

Note: Consumption tax does not apply to transaction sums.

(2) Sister companies

Status	Subsidiary of a parent company					
Name	JAPAN AIRLINES INTERNATIONAL CO., LTD.	JAPAN AIRLINES DOMESTIC CO., LTD.	JAL CAPITAL CO., LTD.	FUKUOKA AIRPORT BUILDING CO., LTD.		
Address	Shinagawa-ku, Tokyo	Shinagawa-ku, Tokyo	Shinagawa-ku, Tokyo	Fukuoka-City, Fukuoka		
Capital or investment (¥ thousand)	188,550,335	23,486,500	3,500,000	4,100,744		
Subject of business or occupation	Air transport service	Air transport service	Finance and general leasing	Airport building management		
Percentage of voting stock ownership	None	None	None	None		
Related matters	Common board members	None	None	None	None	
	Business relationship	Procurement consulting and support services and sales relating to aviation supplies	Procurement consulting and support services and sales relating to aviation supplies	Loan company dealing with JALUX	Leasing of JALUX airport shops and offices	
Transaction details and Amount (¥ thousand)	Procurement and sales including aircraft equipment and cabin supplies	Procurement and sales including aircraft equipment and cabin supplies	Loan and repayment of transport and equipment assets	Product sales	Fukuoka Airport shops and office leasing	
	16,110,755	2,210,936	Loan 28,500,000 Repayment 29,300,000	573,733	56	
Account and balance at the end of term (¥ thousand)	Accounts receivable trade	Accounts receivable trade	Short-term debt	Interest paid	Other current assets	Long-term rental deposits
	3,277,946	366,507	800,000	5,116	475,714	118,200

Transaction conditions and decision-making policy

- (1) When undertaking procurement, supporting or consulting work relating to sales of aircraft parts, cabin supplies and other items with Japan Airlines International Co., Ltd. or Japan Airlines Domestic Co., Ltd., decisions are to be made after taking into consideration market value and general cost price, suggesting a desired price, and negotiating in each period
Concerning other transactions, make decisions through discussions after considering market trends.
- (2) In November 2004, Japan Airlines International Co., Ltd. changed its status from "Parent company" to "Subsidiary to parent company."
- (3) JAL Capital Co., Ltd. loans of operating and equipment capital are determined by short-term prime rates and Japanese yen-denominated TIBOR.
- (4) Concerning Fukuoka Airport Building Co., Ltd. leases, rates and administrative costs are determined in response to changes in economic conditions, rises in administrative operating expenses, and other factors.

Note: Consumption tax does not apply to transaction sums.

Per share information

Previous consolidated accounting period (April 1, 2003 to March 31, 2004)	Current consolidated accounting period (April 1, 2004 to March 31, 2005)
Book value per share ¥819.13	Book value per share ¥908.11
Earnings per share ¥86.21	Earnings per share ¥110.62
Concerning per-share net income for the current period after potential stock adjustment, potential shares do not exist and so are not recorded.	Concerning per-share net income for the current period after potential stock adjustment, potential shares do not exist and so are not recorded.

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

	Previous consolidated accounting period (April 1, 2003 to March 31, 2004)	Current consolidated accounting period (April 1, 2004 to March 31, 2005)
Earnings per share		
Net income (thousand yen)	1,085,411	1,435,670
Sum not belonging to holders of shares of common stock (thousand yen)	19,195	24,006
(Sum of which paid out as employee bonuses for profit disposal)	(19,195)	(24,006)
Net income available to shareholders of shares of common stock (thousand yen)	1,066,216	1,411,664
Average number of outstanding shares (thousand yen)	12,367	12,761