

# 1. Operating Results

## (1) Operating Results

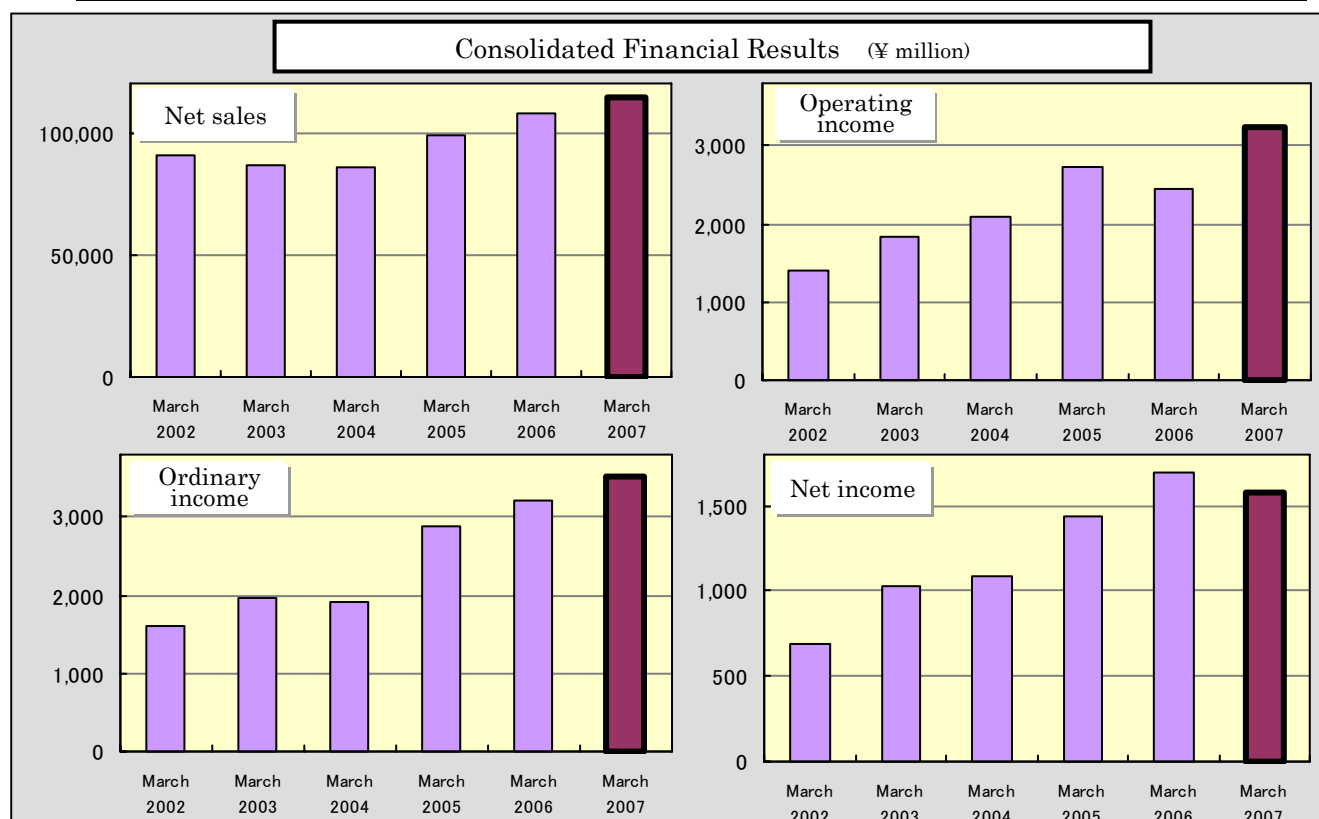
### Operating Results in the Current Period

In the current period, general consumer trends and other factors in the business environment surrounding the company are generally firm. Each of the aviation, lifestyle, and customer services segments posted steadily results.

In the aviation related business, especially, JALUX achieved strong performances in areas such as aircraft components storage and supply for domestic heavy industry and sales of used aircraft to foreign airlines. The customer services business also performed well, expanding in the areas of development and subleasing of real estate on the periphery of domestic airports and sales and support for the “JAL Vacations” timeshare scheme at overseas resorts.

As a result of these factors, net sales in the current period exceeded those in the same period of the previous year to reach 114,133 million yen. Efforts to curtail the rise in selling, general, and administrative expenses through greater efficiency led to operating income of 3,246 million yen and ordinary income of 3,516 million yen, with both figures exceeding those for the year before. Meanwhile an extraordinary loss of 378 million yen occurred from such factors as a loss on disposal of property and equipment from the close of a retail shop overseas (the London gift shop) and a decline in inventory valuations, leading net income to fall to 1,579 million yen year-on-year.

Operating Results (¥ million)	Previous period (year ended March 2006)	Current period (year ended March 2007)	Change (%)	Increase/ Decrease
Net sales	107,952	114,133	105.7	6,181
Operating income	2,444	3,246	132.8	801
Ordinary income	3,212	3,516	109.4	303
Net income	1,689	1,579	93.5	-109



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

In order to strengthen business and raise efficiency by bringing together planning & production and product development functions, the printing and media division have been reorganized as the lifestyle services business segment. The printing and media division results, including those for the customer services business, will be displayed under “lifestyle services businesses” from the current accounting period. Moreover, the lifestyle services and customer services figures for the previous period will replace the previous figures as new classification standards.

#### ① Aviation-related business

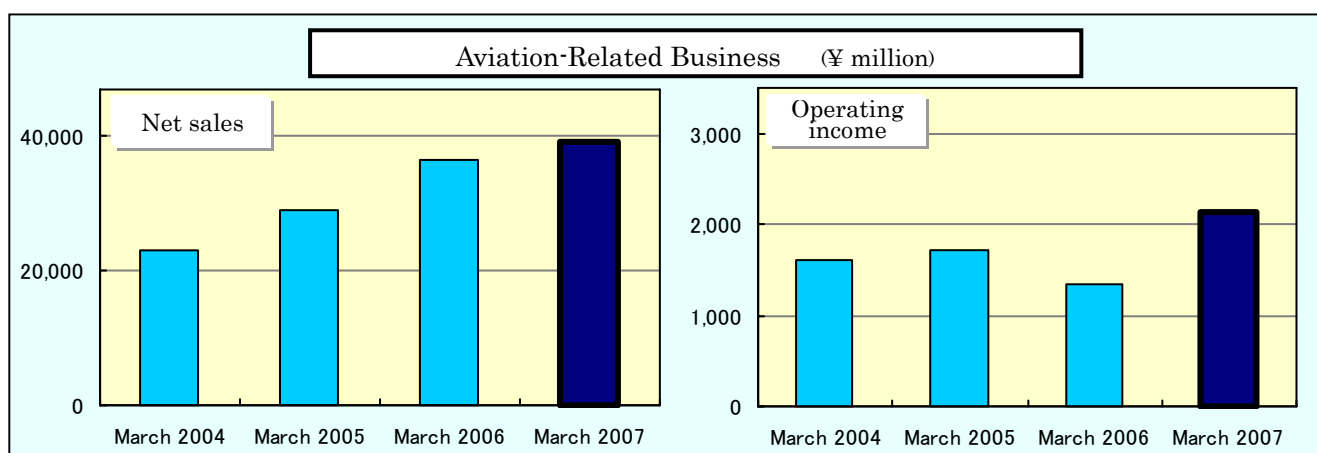
In the aviation and aircraft parts sector, trading volume for the aircraft engine parts storage and supply business\* (launched in 2004) continued its firm growth trend, focused on domestic heavy industry against a background of strong demand.

\*A delivery system that stores (stockpiling and quality control) imported parts needed for aircraft engine repairs and supplies them promptly to heavy industry.

In the used aircraft sales sector, efforts to cultivate new channels produced strong performances from sales to overseas airlines focused on large aircraft. Wholesale transactions for special rolling stock for use in airports and products aimed at domestic duty-free shops also performed well, as did the uniform (textile products) procurement business and other areas.

As a result of these factors, net sales reached 39,069 million yen and operating income reached 2,145 million yen, with both figures exceeding those for the previous period.

Aviation-related business (¥ million)	Previous period (year ended March 2006)	Current period (year ended March 2007)	Change (%)	Increase/Decrease
Net sales	36,381	39,069	107.4	2,688
Operating income	1,349	2,145	158.9	795



#### ② Lifestyle services business

The food sector continued to perform well from the import of frozen marine products such as salmon and the expansion of value-added sales accompanying processing for Vietnam and China together with sales of imported fruit (including fresh fruit and frozen processed vegetables). The processed food sector aimed to promote sales through its renewal of the original “JAL Selection de Sky Series” products with “Curry de Sky” (curry), “Hayashi de Sky” (hashed beef), and “Mizu de Sky” (mineral water). The gift product sector also saw strong performances from “Choice Communication Gifts” and other products.

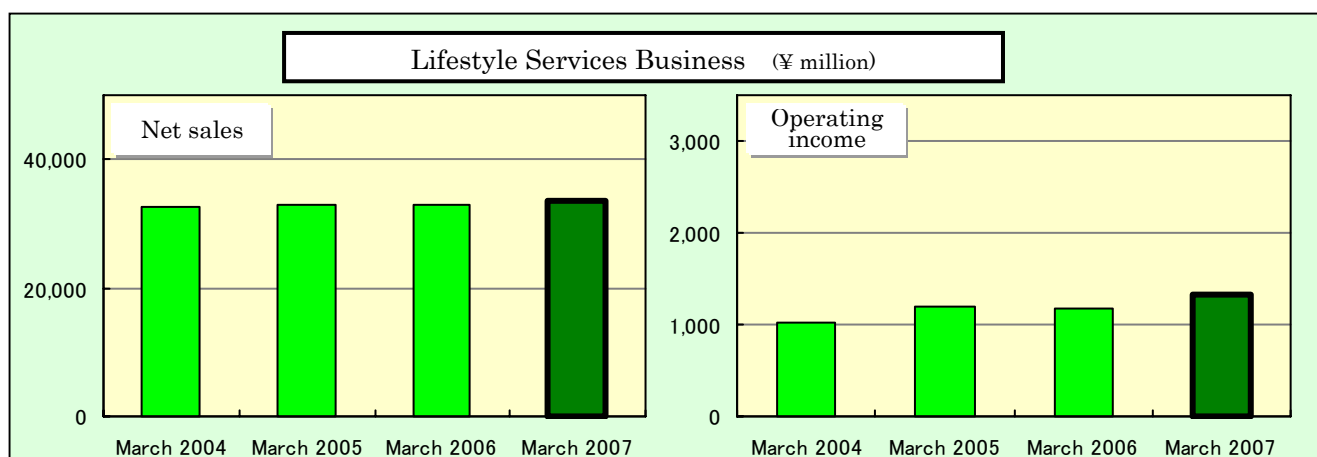
In the mail order sector, orders have remained level and revenue fallen for the “JAL Shop” in-flight catalog due to such factors as preparations for changing the month of publication, while the “JAL World Shopping Club” DM catalog, the “Gourmet First Class” and “Flight Shop”

catalog supplement have performed well. Meanwhile, improved efficiency from system building and other efforts have contributed to increased profitability.

In the miscellaneous and media related sector, corporate-oriented sales promotion (advertising media and printed matter) struggled to grow, but expansion of orders for gift products from general companies and other factors led to a generally strong performance.

As a result of these factors, net sales reached 33,585 million yen and operating income 1,332 million yen, with both figures exceeding those for the previous period.

Lifestyle services business (¥ million)	Previous period (year ended March 2006)	Current period (year ended March 2007)	Change (%)	Increase/Decrease
Net sales	32,983	33,585	101.8	602
Operating income	1,170	1,332	113.9	162



### ③ Customer services business

In the life design sector, “JAL Vacations<sup>\*\*</sup>” sales and support (launched in 2004) added the management of new properties in Las Vegas in the current period to the established properties in Hawaii and Phuket. The strong performances in this sector centered on the Hawaii properties. In the real estate development sector, business from development of company dormitories (construction, sales, leaseback, and subleasing) on the peripheries of Japanese airports such as Narita and Chubu expanded steadily, and contributed to revenue growth.

\* A resort timeshare system selling the rights to resort properties in Hawaii and other places in weekly units.

As for airport shops, the Blue Sky shops established at domestic airports performed at generally the same level of the year before. While revenue fell from the shops at Narita Airport accompanying terminal restructuring carried out in June 2006, shop numbers at New Chitose Airport expanded from 7 to 12, and revenue and profits rose at Haneda Airport following a decline from terminal restructuring in the previous period.

Pre-term estimates of the impact of terminal restructuring on Narita Airport’s JAL-DFS\* shops anticipated a decline in profits of around 30 percent, but performances have generally remained at the level of the previous period, despite a fall in passenger use at Terminal 2 due to factors such as a rise in unit value per customer.

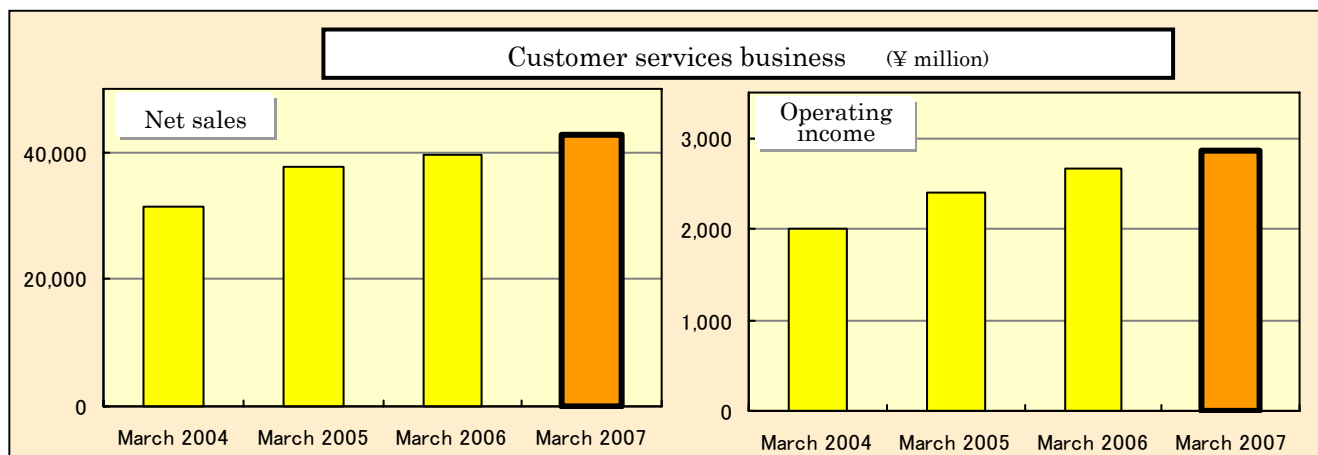
\* Managed by consolidated subsidiary JAL-DFS Co., Ltd.

In the overseas business sector, the “JAL Plaza Igririsuya” gift shop in the city of London, which had operated continuously since 1972, suffered falling revenues. The decision was taken to close mid-period, and the shop was wound up in December 2006. We predict increased profit from the next period in the absence of this shop’s operational loss. In the welfare area of the new business sector, a new senior citizens’ care facility named “JALUX Good Time Home, Fudomae” started operation in Shinagawa-ku, Tokyo, in December 2006 with the aim of expansion following the opening of “JALUX Good Time Home, Chofu<sup>\*\*\*</sup>” in 2004. Both facilities are performing steadily.

\*Managed by affiliate accounted for by the equity method JALUX Life Design Inc.

As a result of these factors, net sales reached 42,774 million yen and operating income 2,872 million yen, with both figures exceeding those for the previous period.

Customer services business (¥ million)	Previous period (year ended March 2006)	Current period (year ended March 2007)	Change (%)	Increase/ Decrease
Net sales	39,574	42,774	108.1	3,199
Operating income	2,663	2,872	107.9	209



#### Operating Results Outlook for the Next Period

A generally favorable business environment in the current period has helped maintain performance on a growth track, and we anticipate a gradual expansion from customer demand and other factors. We also aim to reliably achieve our targets throughout the group in the following fiscal year by continually improving business quality to raise market competitiveness.

In the aviation-related business, we aim to further grow our base by expanding the aircraft parts storage and supply business, selling used aircraft, and selling machinery and materials aimed at domestic and international airlines that effectively exploit group expertise.

In the mail order sector of the lifestyle services business, we are taking initiatives to promote seasonal products and original product development, raise the gross profit ratio, promote sales of the in-flight “JAL Shop” catalog, and expand the customer base for DM catalogs. We are also planning to increase revenue by enhancing marketing power (product and customer analysis, catalog distribution accuracy, and customer service) accompanying new system operations and improving efficiency (putting businesses online and reducing data costs).

In the customer services business, we are planning an increase in revenue from Blue Sky airport shops by further enhancing management efficiency centered on New Chitose and Haneda Airports, which have performed well in the current period. We also anticipate increased profits at “JAL Vacations” from an expansion of the property line-up in Hawaii.

As a result of the above factors, we predict a rise in revenues and profits in the next period, and aim to reliably achieve the figures in the mid-term plan.

In March 2007, share movement aimed at enhancing corporate value made Sojitz Corporation the main shareholder for the first time, with a stake of 30 percent. We plan to exploit the synergy effect maximizing the resources and functions of both the JAL and Sojitz groups for future initiatives in all areas, and to develop mid- to long-term business.

Operating Results (¥ million)	Current period (year ended March 2007)	Next period (E) (year ending March 2008)	Change (%)	Increase/ Decrease
Net sales	114,133	120,000	105.1	5,866
Operating income	3,246	3,500	107.8	253
Ordinary income	3,516	3,700	105.2	183
Net income	1,579	1,850	117.7	270

## (2) Financial Position

Cash and cash equivalents (hereafter, “funds”) at the end of the period rose 699 million yen, or 114.1 percent, year-on-year to 5,646 million yen, due to such factors as a generally strong revenue flow from business transactions and borrowing from banks and other sources. Individual cash flows for the current period are as follows.

### Operating activities

Funds acquired from operating activities fell 928 million yen, or 63.2 percent, to 1,593 million yen. This was due to factors such as a rise in trade receivables and accounts payable related to transactions for the sale of JAL group’s used aircraft and engines to overseas airlines, contract deposits and payments related to these transactions, and the pre-payment of procurement charges for sales transactions.

### Investing activities

Funds used in investing activities fell 33 million yen, or 98.2 percent, year-on-year to 1,823 million yen. This was due to such factors as the purchase of aircraft for leasing at the consolidated US subsidiary. Other factors were the acquisition of intangible fixed assets accompanying the construction of JALUX’s new main system (continued from the previous period), and the payment of deposits accompanying a partial transfer in the airport shop business.

### Financing activities

Funds gained in financing activities amounted to 765 million yen, against a cash outflow of 866 million yen in the previous period. This was due to JALUX and its domestic subsidiary increasing dividends while also increasing short- and long-term loans to fund the purchase of our new main system and passenger training aircraft for leasing.

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

	Period ended March 2003	Period ended March 2004	Period ended March 2005	Period ended March 2006	Period ended March 2007
Shareholders’ equity ratio (%)	28.4	29.3	33.0	35.2	34.4
Shareholders’ equity at market value (%)	23.2	82.2	71.5	72.7	66.9
Debt repayment (yrs)	29.4	4.7	2.9	2.2	4.3
Interest coverage ratio	2.9	18.4	29.9	28.2	13.5

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  $\times$  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.

### (3) Profit distribution: Basic aims and dividends for the current and following periods

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

We are predicting a 6 yen rise in dividends to 30 yen per share in the period ended March 2007, and a dividend of 35 yen per share in the period ending March 2008, marking successive dividend rises over eight periods.

Hitherto the mid-term target values for dividend payouts have been set at 30 percent on a non-consolidated basis, and we anticipate achieving this general target in the period ending March 2008. In the future (to the period ending March 2010), we will set payout ratio targets of 30 percent on a consolidated basis.

### (4) 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 an affiliate 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 (including consolidated net sales). Any significant change in the relationship with the JAL group happening in the future may impact the performance of the JALUX group.

In the period ended March 2007, moreover, the stockholding ratio of Japan Airlines Corporation reached 21 percent (51 percent as of September 30, 2006) due to stock movements aimed at raising JALUX's corporate value. From the next period onward, the influence on results should be slight.

	Period ended March 2006		Period ended March 2007	
	Amount (million yen)	Ratio to sales (%)	Amount (million yen)	Ratio to sales (%)
Japan Airlines Corporation	30	0.0	58	0.1
Japan Airlines International Co., Ltd.	16,819	15.6	17,953	15.7
Other JAL group companies	13,194	12.2	12,918	11.3
Total	30,044	27.8	30,930	27.1

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) Mainly affected by international passenger numbers: In-flight sales products and food business, JAL-DFS duty-free shop at Narita Airport, Plaza Wien Jalux (Vienna gift shop)
- 2) Mainly 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, we have already established a care-facility management company, and are investing in environmental technologies as well as medical product developers and manufacturers. We made these investments after careful consideration, and are convinced that these businesses will contribute to the future profit growth of the JALUX group. We plan to continue making new investments in the environment, culture, and welfare areas. There is no guarantee, however, that we will achieve the results predicted in the plan.

## 2. The JALUX Group

The JALUX group consists of JALUX, ten subsidiaries (of which eight 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
<b>Aviation-related</b>	Aircraft, aircraft components, machinery, equipment & materials, cabin service supply, in-flight sales < Consulting service & supporting work and wholesale businesses >	JALUX AMERICAS, Inc. JALUX EUROPE Ltd. JALUX SHANGHAI Co., Ltd. JALUX HONG KONG Co., Ltd.
<b>Lifestyle services</b>	Agricultural & marine products, processed foods, food gift items, wine, general merchandise, creative design and printing < Catalog sales, Web sales, and wholesale businesses >	JALUX AMERICAS, Inc. JALUX EUROPE Ltd. JALUX ASIA Ltd. JALUX SHANGHAI Co., Ltd. JALUX HONG KONG Co., Ltd. JALUX ASIA SERVICE Ltd.
<b>Customer services</b>	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 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 agricultural (including livestock and flowers) and marine products; processed foods; food gift items; wine; general merchandise; and planning & production in the creative design and printing business.

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 in-flight JAL SHOP and JAL World Shopping Club, as well as JAL Shopping on the JAL website's Web mall



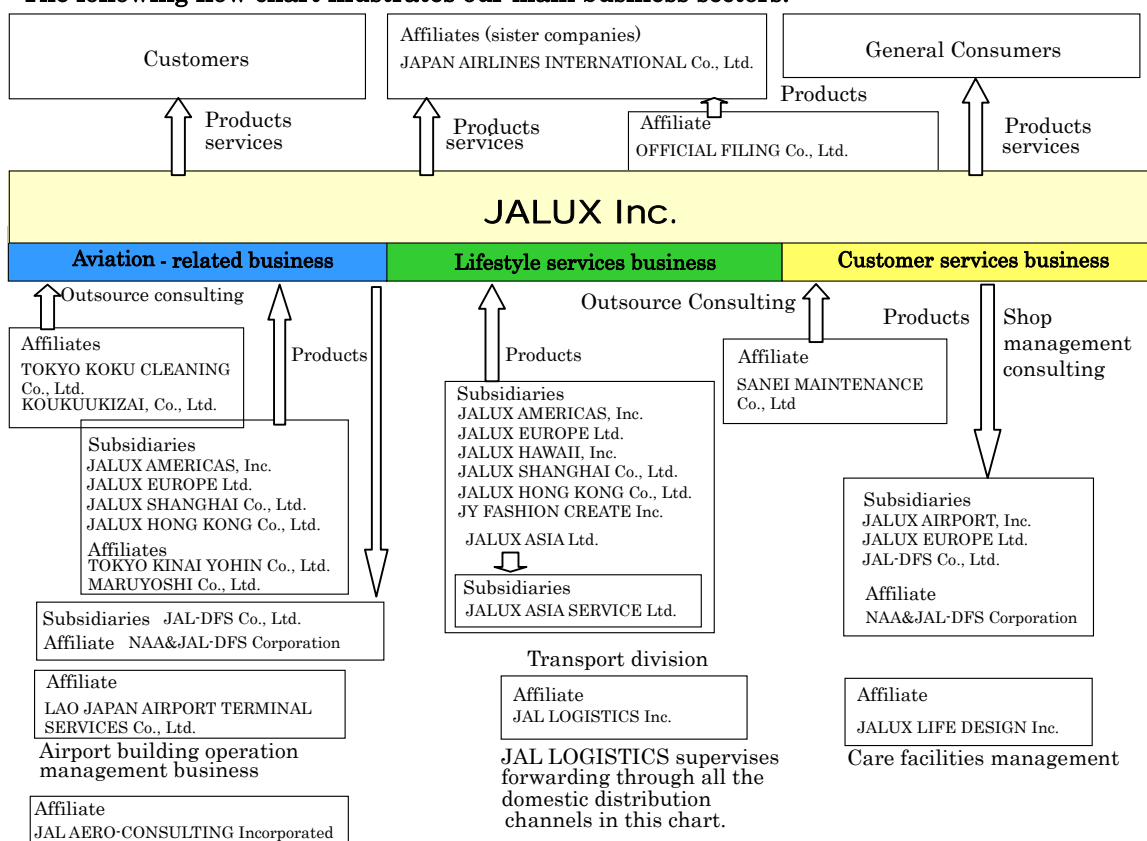
(3) Customer services business

This sector mainly targets the general consumer and company and undertakes 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 shopping EUROPE (website) and the Plaza Wien Jalux (gift shop in Vienna ).

The following flow chart illustrates our main business sectors.



#### CONSOLIDATED SUBSIDIARIES

JALUX EUROPE Ltd.  
 JALUX AMERICAS, Inc.  
 JALUX ASIA Ltd.  
 JAL-DFS Co., Ltd.  
 JALUX AIRPORT, Inc.  
 JALUX SHANGHAI Co., Ltd.  
 ○JALUX HONG KONG Co., Ltd.  
 JALUX ASIA SERVICE Ltd.

#### NON- CONSOLIDATED SUBSIDIARIES

JALUX HAWAII, Inc.  
 ◇JY FASHION CREATE 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.

※JALUX LIFE DESIGN Inc.  
 OFFICIAL FILING Co., Ltd.  
 LAO JAPAN AIRPORT TERMINAL SERVICES Co., Ltd.  
 □JAL AERO-CONSULTING Incorporated  
 NAA&JAL-DFS Corporation

※---Affiliates accounted for by the equity method

○JALUX HONG KONG Co., Ltd. was established on June 19, 2006

◇JY FASHION CREATE Inc. was established on July 7, 2006

□JAL AVIATION CONSULTING Incorporated has changed its name to JAL AERO-CONSULTING Incorporated on November 1, 2006.

#### OTHER AFFILIATES

JAPAN AIRLINES INTERNATIONAL Co., Ltd. Air transport business

\* Sister companies Japan Airlines International Co., Ltd. and Japan Airlines Japan Co., Ltd. merged on October 1, 2006, and Japan Airlines International became the merging corporation. On March 28, 2007, the stockholding ratio of the parent company Japan Airlines fell. JAL became an affiliated company, and former sister company Japan Airlines International also became an affiliate.

Gift sales and trading  
 Leasing and trading  
 Trading  
 Duty-free sales shops  
 Management consulting for shops, restaurants, and cafes  
 Trading  
 Trading  
 Trading

Trading  
 Planning, manufacture, and sale of fashion brands

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  
 Care facilities management  
 Consulting business dealing with passenger fares, freight fares, and arrival/departure times  
 Operation and management of the terminal buildings inside Vientiane Wattay International Airport  
 Development planning data gathering and consulting business dealing with the aviation field  
 Duty-free sales shops

## Status of affiliates

Name	Address	Capitalization (thousand yen)	Subject of business or occupation (note 1)	Voting rights ratio (%)	Relationship with JALUX JALUX:
<b>Other affiliates</b>					
SOJIZ Corporation (notes 2, 3)	Minato-ku, Tokyo	122,790,000	General trading company	30.1	maintains and manages buildings.
JAPAN AIRLINES Corporation (notes 2, 3)	Shinagawa- ku, Tokyo	174,250,000	Holding corporation for companies engaged in air transport services and related businesses	21.4 (0.2)	
<b>Consolidated subsidiaries</b>					
JALUX EUROPE Ltd. (note 4)	UK London	STG £ 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)	Narita-City, Chiba	300,000	Customer services	60.0	sells goods for duty-free shops.
JALUX AIRPORT, Inc.	Shinagawa- ku, Tokyo	15,000	Customer services	100.0	commissions for airport shop management services.
JALUX SHANGHAI Co., Ltd.	China Shanghai	CNY 8,060,800	Aviation-related Lifestyle services	100.0	purchases sales products.
JALUX HONG KONG Co., Ltd. (notes 6)	China Hong Kong	HKD 3,883,250	Aviation-related Lifestyle services	100.0	purchases in-flight cabin supplies, and sales products.
JALUX ASIA SERVICE Ltd. (notes 5, 6)	Thailand Bangkok	THB 2,000,000	Lifestyle services	100.0 [100.0]	commissions for shop management and crew transport services.
<b>Affiliates accounted for by the equity method</b>					
JALUX LIFE DESIGN Inc.	Shinagawa- ku, Tokyo	100,000	Customer services	50.0	care facilities management.
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	27.2	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.

- 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. Figures in parentheses indicate indirect ownership ratios.  
6. JALUX ASIA SERVICE Ltd. was established on February 3, 2006.  
JALUX HONG KONG Co., Ltd. was established on June 19, 2006.

## 3. Management Policies

### (1) 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 take the changing times as an opportunity, challenge resolutely without fear of failure, and continue our self-transformation.

#### 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 the environment and contribute to society.

### (2) Management index targets

Positioning return on equity (ROE) and 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, 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.

<b>Planned Management Targets for the Period Ending March 2010 (Consolidated)</b>		
(million yen)	Results for period ended March 2007	Period ending March 2010 (plan)
Net sales	114,133	150,000
Ordinary income	3,516	5,000
Ratio of ordinary income to sales	3.1%	3.3%
Net income	1,579	2,500
ROE	11.4%	12.7%
ROA	4.0%	4.1%

### **(3) Mid- to long-term corporate management strategies and themes**

In the mid- to long-term, we plan to expand the lifestyle creation business (retail and creating value-added) on the platform of the aviation business.

#### **Aviation-related**

We plan to strengthen and expand overseas development, keeping a competitive edge in aviation (airport) related businesses (especially sales of aircraft parts for domestic heavy industry), while developing this know-how and specialization at the highest global level.

#### **Lifestyle Creation (Lifestyle services • Customer services)**

We aim to expand our customer base and business region for the general market in order to improve customer satisfaction levels, brand values, quality, and originality in the retail businesses of communications sales, airport shops, and life design (resorts, real estate, insurance, and care).

We also aim to expand the high value-added model together with upstream and downstream development including food, miscellaneous, real estate development, and environment related business centered on trading company functions. We plan to enhance our competitive power with products high in customer value and highly specialized services, and to become professionals in creating value-added.

### **(4) Key Themes**

#### **① Strengthening symbiosis with society**

Through initiatives such as dealing sincerely with customers, contributing to the environment, and complying with laws and ordinances, in order to comprehensively put into practice CSR\*, we aim to maintain and enhance the quality of business activities and transactions based on JALUX group activity guidelines.

\* Corporate Social Responsibility

#### **② Enhancing specialization**

Taking the theme of enhancing specialization centered on aviation-related business, we aim to maintain and enhance a strong competitive edge in JALUX's mid- to long-term business platform by enhancing specialist expertise and knowledge relating to aviation and airports, and to achieve the highest global level with this specialization.

#### **③ Enhancing marketing power**

We aim to create a highly competitive retail business by taking up the theme of enhancing marketing power, especially in the retail business, through accurately grasping customer needs to enhance customer satisfaction, and transforming this satisfaction into appreciation through creativity, marketing power, and sensibility.

#### **④ Enhancing value-added**

Taking the theme of enhancing value-added for business centered on trading company functions, we are aiming for a value-added professionalism capable of constructing business models while developing both upstream and downstream, and creating products that prioritize customer values and highly specialized services.

## 4. Consolidated financial statements

### (1) Consolidated balance sheets

(thousand yen)

Account	End of previous term (as of March 31, 2006)		Composi- tion rate (%)	End of current term (as of March 31, 2007)		Change Amount
	Amount			Amount		
(Assets)						
I Current assets						
1. Cash and deposits		4,954,081		5,688,228		
2. Notes and accounts receivable		11,376,827		13,468,655		
3. Securities		—		7,681		
4. Inventories		5,653,412		6,117,340		
5. Deferred tax assets		471,881		469,397		
6. Other		2,889,771		3,836,730		
Allowance for doubtful accounts		-43,653		-29364		
Total current assets		25,302,319	67.4	29,558,670	69.8	4,256,350
II Fixed assets						
1. Property, plant and equipment						
(1) Buildings and structures	4,582,931			4,375,069		
Accumulated depreciation	2,214,876	2,368,055		2,294,244	2,080,824	
(2) Machinery and delivery equipment	307,458			239,651		
Accumulated depreciation	234,623	72,834		195,074	4,577	
(3) Aircraft	3,229,398			3,742,954		
Accumulated depreciation	1,062,822	2,166,576		1,347,403	2,395,550	
(4) Other	760,305			755,219		
Accumulated depreciation	446,061	314,243		458,281	296,938	
(5) Land		412,073			293,077	
(6) Construction in progress		51,151			99,307	
Total property, plant and equipment		5,384,936	14.3	5,210,276	12.3	-174,659
2. Intangible fixed assets						
(1) Software		293,953		422,595		
(2) Software in progress		933,038		1,410,977		
(3) Other		30,966		28,201		
Total intangible fixed assets		1,257,958	3.3	1,861,775	4.4	603,816

(thousand yen)

Account	End of previous term (as of March 31, 2006)		End of current term (as of March 31, 2007)		Change
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount
3. Investments and other assets					
(1) Investment securities	2,481,657		2,794,350		
(2) Investment affiliated	462,941		530,925		
(3) Long-term rental eposits	1,917,076		1,860,995		
(4) Deferred tax assets	342,692		276,601		
(5) Other	546,147		363,727		
Allowance for doubtful accounts	-132,315		-111,385		
Total investments and other assets	5,618,199	15.0	5,715,214	13.5	97,014
Total fixed assets	12,261,094	32.6	12,787,266	30.2	526,171
Total assets	37,563,414	100.0	42,345,936	100.0	4,782,522
(Liabilities)					
I Current liabilities					
1. Notes and accounts payable	11,854,649		13,561,543		
2. Short-term debt	2,999,361		3,826,728		
3. Accrued corporate tax, etc.	596,344		684,399		
4. Accrued expenses	2,267,168		2,407,705		
5. Other	2,239,667		2,557,448		
Total current liabilities	19,957,190	53.2	23,037,825	54.4	3,080,634
II Fixed liabilities					
1. Long-term debt	2,549,370		2,963,320		
2. Directors' retirement allowances	283,616		112,767		
3. Addition to reserve for compensation to retired directors	185,728		195,006		
4. Deferred tax liabilities	57,027		90,412		
5. Other	424,554		431,026		
Total fixed liabilities	3,500,298	9.3	3,792,533	9.0	292,235
Total liabilities	23,457,489	62.5	26,830,359	63.4	3,372,870

(thousand yen)

Account	End of previous term (as of March 31, 2006)		End of current term (as of March 31, 2007)		Change
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount
(Minority interests)					
Minority interests	881,358	2.3	—	—	-881,358
(Shareholders' equity)					
I Common stock	2,558,550	6.8	—	—	-2,558,550
II Paid-in capital	711,363	1.9	—	—	-711,363
III Retained earnings	9,992,376	26.6	—	—	-9,992,376
IV Unrealized gains on securities	22,663	0.0	—	—	-22,663
V Conversion adjustment	-51,101	-0.1	—	—	51,101
VI Treasury stock	-9,284	-0.0	—	—	9,284
Total shareholders' equity	13,224,566	35.2	—	—	-13,224,566
Total liabilities, minority interests and shareholders' equity	37,563,414	100.0	—	—	-37,563,414
(Net assets)					
I Shareholder's equity					
1. Common stock	—	—	2,558,550	6.0	2,558,550
2. Paid-in capital	—	—	711,421	1.7	711,421
3. Retained earnings	—	—	11,289,711	26.7	11,289,771
4. Treasury stock	—	—	-9,677	-0.0	-9677
Total shareholder's equity	—	—	14,660,065	34.4	14,550,065
II Evaluation and conversion figures					
1. Unrealized gains on securities	—	—	13,707	0.0	13,707
2. Deferred gains or losses on hedges	—	—	4,068	0.0	4,068
3. Conversion adjustment	—	—	7,144	0.0	7,144
Total evaluation and conversion figures	—	—	24,920	0.0	24,920
III Minority interests					
			940,591	2.2	940,591
Total net assets	—	—	15,515,577	36.6	15,515,577
Total liabilities and net assets	—	—	42,345,936	100.0	42,345,936



## (2) Consolidated income statements

(thousand yen)

Account	Previous term (April 1, 2005 - March 31, 2006)			Current term (April 1, 2006 - March 31, 2007)			Change
	Amount		Composi- tion rate (%)	Amount		Composi- tion rate (%)	Amount
I Net sales		107,952,007	100.0		114,133,497	100.0	6,181,489
II Cost of sales		84,595,451	78.4		89,602,555	78.5	5,007,104
Gross profit		23,356,555	21.6		24,530,941	21.5	1,174,385
III Selling, general and administrative expenses							
1. Packing and transportation expenses	1,048,719			971,342			
2. Payroll allowance	7,906,162			8,067,072			
3. Employee retirement expenses	246,246			214,532			
4. Rent expenses	4,689,576			4,784,117			
5. Depreciation and amortization	374,795			396,602			
6. Addition to reserve for compensation to retired directors	52,500			58,223			
7. Other	6,593,896	20,911,898	19.3	6,792,892	21,284,783	18.7	372,884
Operating income		2,444,656	2.3		3,246,158	2.8	801,501
IV Non-Operating income							
1. Interest income	19,283			16,998			
2. Dividends	36,556			40,982			
3. Equity in earnings of affiliates	108,864			162,429			
4. Exchange gain	583,288			6,846			
5. Agency commissions	—			62,146			
6. Other	130,706	878,699	0.8	172,207	461,611	0.4	-417,087
V Non-Operating expenses							
1. Interest paid	94,722			132,492			
2. Syndicate loan commissions	—			20,000			
3. Other	15,683	110,405	0.1	38,835	191,328	0.1	80,922
Ordinary income		3,212,950	3.0		3,516,441	3.1	303,490
VI Extraordinary profit							
1. Gain on sales of fixed assets	12,022			204			
2. Gain on sales of investment securities	—			3,899			
3. Duty-free business consumption tax etc.	130,131			—			
4. Reversal of allowance for doubtful receivables	—			24,378			
5. Other	6,730	148,884	0.1	—	28,483		-120,401

(thousand yen)

Account	Previous term (April 1, 2005 - March 31, 2006)		Composi- tion rate(%)	Current term (April 1, 2006 - March 31, 2007)		Composi- tion rate(%)	Change
	Amount	Amount		Amount	Amount		Amount
VII Extraordinary loss							
1. Fixed asset disposal losses	26,312			126,317			
2. Fixed asset impairment losses	26,507			—			
3. Loss on sales of investment securities	—			7,499			
4. Loss on sales of investment in subsidiaries and affiliates	—			1,265			
5. Loss on revaluation of inventories	95,181			87,358			
6. Loss from closure of shops	—			58,655			
7. Loss on write-off of claims in the past year	35,522			—			
8. Other	8,550	192,073	0.2	97,601	378,697	0.3	186,623
Net income before adjustment of taxes, etc.		3,169,761	2.9		3,166,227	2.8	-3534
Corporate income taxes, resident taxes, etc.	1,246,151			1,309,046			
Deferred income taxes	49,784	1,295,936	1.2	93,932	1,402,979	1.1	107,043
Minority interest in income of consolidated subsidiaries		184,584	0.1		183,420	0.2	-1,164
Net income		1,689,240	1.6		1,579,827	1.4	-109,413

**(3) Consolidated statement of shareholders' equity and Consolidated statement of changes in shareholders' equity**

Consolidated statement of shareholders' equity (thousand yen)

Account	Previous term (April 1, 2005 - March 31, 2006)	
	Amount	
(Paid-in capital)		
I At beginning of period		711,296
II Increase		
1. Treasury stocks disposal margin	66	66
III Paid-in capital at end of period		711,363
(Retained earnings)		
I At beginning of period		8,608,902
II Increase		
1. Net income	1,689,240	1,689,240
III Decrease		
1. Cash dividend paid	280,974	
2. Directors' bonuses paid	24,792	305,766
IV Retained earnings at end of period		9,992,376

Consolidated statement of changes in shareholders' equity  
Current (Apr. 1, 2006 to Mar. 31, 2007)

	Net assets				
	Shareholder's equity	Paid-in capital	Retained earnings	Treasury stock	Total shareholder's equity
Balance as of March 31, 2006 (thousand yen)	2,558,550	711,363	9,992,376	-9,284	13,253,004
Amount of change					
Dividend earnings			-306,515		-306,515
Net income			1,579,827		1,579,827
Acquired treasury stock				-452	-452
Disposal of treasury stock		58		51	109
Increase in affiliates accounted for by the equity method			24,082		24,082
Decrease in treasury stock from changes in equity				8	8
Other net changes					—
Total changes (thousand yen)			341,460	-103	341,357
Balance as of March 31, 2007 (thousand yen)	2,558,550	711,421	11,289,771	-9,677	14,550,065

	Evaluation and conversion figures				Minority interests	Total net assets
	Unrealized gains on securities	Deferred gains or losses on hedges	Conversion adjustment	Total evaluation and conversion figures		
Balance as of March 31, 2006 (thousand yen)	22,663	—	-51,101	-28,437	881,358	14,105,924
Amount of change						
Dividend earnings						-306,515
Net income						1,579,827
Acquired treasury stock						-452
Disposal of treasury stock						109
Increase in affiliates accounted for by the equity method						24,082
Decrease in treasury stock from changes in equity						8
Other net changes	-8,956	4,068	58,246	53,358	59,233	112,591
Total changes (thousand yen)	-8,956	4,068	58,246	53,358	59,233	1,409,652
Balance as of March 31, 2007 (thousand yen)	13,707	4,068	7,144	24,920	940,591	15,515,577

**(4) Consolidated cash flow statement**

(thousand yen)

	Previous term (April 1, 2005 - March 31, 2006)	Current term (April 1, 2006 - March 31, 2007)	Change
Account	Amount	Amount	Amount
I Net cash from operating activities			
Net income before adjustment of taxes, etc.	3,169,761	3,166,227	-3,534
Depreciation and amortization	696,862	759,293	62,430
Increase (decrease) in doubtful debt reserve	-15,041	-35,300	-20,259
Increase (decrease) in employee retirement expenses	-45,483	-170,848	-125,365
Interest and dividends received	-55,840	-57,980	-2,140
Interest paid	94,722	132,492	37,769
Exchange gain or loss	-26,545	-52,210	-25,664
Equity in earnings of affiliates	-108,864	-162,429	-53,565
Write-down of inventories	8,550	14,343	5,792
Loss on retirement of fixed assets	14,289	126,112	111,823
Fixed asset impairment losses	26,507	—	-26,507
Gain on sales of investment securities	—	3,599	3,599
Loss on sales of investment in subsidiaries and affiliates	—	1,265	1,265
Increase (decrease) in accounts receivable	-673,942	-1,675,530	-1,001,587
Increase (decrease) in inventories	-343,115	-150,434	192,680
Increase (decrease) in accounts payable	884,319	1,628,897	744,578
Increase in advance payments	—	-1,409,312	-1,409,312
Increase in advance payments received	—	670,312	670,312
Increase (decrease) in bankruptcy claims, etc.	17,782	25,784	8,001
Directors' bonuses	-26,100	-22,870	3,230
Other	373,634	71,782	-301,851
Subtotal	3,991,497	2,863,193	-1,128,303
Interest and dividends received	70,272	72,140	1,868
Interest paid	-89,566	-18,387	-28,820
Corporate taxes paid	-1,449,779	-1,223,163	226,615
Net cash provided by operating activities	2,522,424	1,593,783	-928,640

(thousand yen)

		Previous term (April 1, 2005 - March 31, 2006)	Current term (April 1, 2006 - March 31, 2007)	Change
Account		Amount	Amount	Amount
II Net cash from investing activities				
Payments for acquisition of property, plant and equipment		-1,096,982	-748,410	348,571
Proceeds from sales of property, plant and equipment		12,022	10,701	-1,321
Payments for acquisition of intangible fixed assets		-895,550	-727,972	167,578
Payments for acquisition of investment in subsidiaries and affiliates		-30,000	-50,000	-20,000
Proceeds from sales of investment in subsidiaries and affiliates		—	54,683	54,683
Payments for acquisition of securities and investment securities		-262,307	-192,358	69,948
Proceeds from sales of securities and investment securities		100,280	3,900	-96,379
Payments for investment in affiliate companies		-115,561	—	115,561
Expenses for paid-in capital		-5,000	—	5,000
Expense for loans		-1,741	-220,761	-219,020
Proceeds from loan collection		465,153	40,229	-424,924
Payments for term deposits		-243,613	-37,200	206,413
Refund from term deposits		268,628	—	-268,628
Expense for increase in long-term rental deposits		-82,982	-236,374	-153,391
Income from decrease in long-term rental deposits		28,349	310,399	282,050
Other		2,563	-30,383	-32,946
Net cash from investing activities		-1,856,740	-1,823,547	33,192

(thousand yen)

	Previous term (April 1, 2005 - March 31, 2006)	Current term (April 1, 2006 - March 31, 2007)	Change
Account	Amount	Amount	Amount
III Net cash from financing activities			
Net increase (decrease) in short-term debt	5,906	766,679	760,773
Proceeds from increase in long-term debt	639,602	1,675,120	1,035,517
Payments for long-term debt	-1,192,628	-1,246,722	-54,094
Dividends paid	-280,974	-303,575	-22,601
Dividends paid to minority shareholders	-36,990	-123,114	-86,124
Other	-1,381	-3,294	-1,912
Net cash from financing activities	-866,466	765,092	1,631,558
IV Conversion effect on cash and cash equivalents	12,859	48,335	35,475
V Net increase in cash and cash equivalents	-187,922	583,663	771,586
VI Cash and cash equivalents at beginning of period	5,134,871	4,946,949	-187,922
VII Cash and cash equivalents from new consolidated subsidiaries at beginning of period	—	115,561	115,561
VIII Cash and cash equivalents at end of period	4,946,949	5,646,173	699,224

## Segment Data

By business type

Previous consolidated accounting period (April 1, 2005 to March 31, 2006)						
(thousand yen)						
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
I. Net sales, operating income and loss						
Net sales						
1. External customers	35,516,160	27,617,163	44,818,683	107,952,007	—	107,952,007
2. Inter-segment internal sales / transfers	865,338	74,018	2,985	942,342	(942,342)	—
Total	36,381,498	27,691,182	44,821,669	108,894,350	(942,342)	107,952,007
Operating expenses	35,031,574	26,997,249	41,681,771	103,710,594	1,796,756	105,507,350
Operating income	1,349,924	693,932	3,139,898	5,183,756	(2,739,099)	2,444,656
II. Assets, depreciation and amortization, and capital expenditure						
Assets	13,619,181	6,400,482	11,768,524	31,788,188	5,775,225	37,563,414
Depreciation and amortization	336,093	53,208	252,748	642,050	54,812	696,862
Impairment loss	—	—	26,507	26,507	—	26,507
Capital expenditure	1,048,891	24,893	162,342	1,236,127	893,709	2,129,837

Notes: 1. Method of business classification

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

2. Main products and sales for each business

- (1) Aviation-related ----- Aircraft, aircraft components, 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 previous accounting period, non-allocatable operating expense included in the elimination or unallocated amount totalled 2,738 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 previous accounting period, the total whole-firm assets including elimination or unallocated amount totalled 5,541 million yen. Factors included assets relating to parent company’s long-term investment assets (investment securities) and the administrative division.



Current consolidated accounting period (April 1, 2006 to March 31, 2007)							(thousand yen)
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated	
I . Net sales, operating income and loss							
Net sales							
1 . External customers	37,892,090	33,467,399	42,774,006	114,133,497	—	114,133,497	
2 . Inter-segment internal sales / transfers	1,177,738	118,205	—	1,295,943	(1,295,943)	—	
Total	39,069,829	33,585,604	42,774,006	115,429,440	(1,295,943)	114,133,497	
Operating expenses	36,924,431	32,252,905	39,901,10	109,078,437	1,808,901	110,887,338	
Operating income	2,145,397	1,332,699	2,872,906	6,351,002	(3,104,844)	3,246,158	
II . Assets, depreciation and amortization, and capital expenditure							
Assets	15,846,030	8,555,737	11,154,239	35,556,006	6,789,929	42,345,936	
Depreciation and amortization	380,946	44,526	245,868	671,341	87,951	759,293	
Capital expenditure	595,550	54,383	202,905	852,838	718,957	1,571,796	

Notes: 1. Method of business classification

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

2. Main products and sales for each business

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

3. For operating expenses in the current accounting period, non-allocatable operating expense included in the elimination or unallocated amount totalled 3,109 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 6,658 million yen. Factors included assets relating to parent company's long-term investment assets (investment securities) and the administrative division.

(Additional information)

The current accounting period saw the transfer of the print and media supplies figures, which were calculated in the customer services business in the previous accounting period, to the lifestyle services business in a restructuring initiative. As a result, a comparison of the same categories present in the previous accounting period state show that net sales fell 5,417 million yen and operating income 449 million yen in the customer services business. In the lifestyle services business, however, net sales rose 5,445 million yen and operating income 449 million yen.

Categorizing the segment data for the previous interim in the same way as for the current accounting period leads to the following:

Previous consolidated accounting period (April 1, 2005 to March 31, 2006)							(thousand yen)
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated	
I. Net sales, operating income and loss							
Net sales							
1. External customers	35,516,160	32,863,906	39,571,940	107,952,007	—	107,952,007	
2. Inter-segment internal sales / transfers	865,338	119,291	2,985	987,615	(987,615)	—	
Total	36,381,498	32,983,198	39,574,925	108,939,622	(987,615)	107,952,007	
Operating expenses	35,031,574	31,812,882	36,911,410	103,755,866	1,751,483	105,507,350	
Operating income	1,349,924	1,170,315	2,663,515	5,183,756	(2,739,099)	2,444,656	
II. Assets, depreciation and amortization, and capital expenditure							
Assets	13,619,181	7,905,524	10,269,973	31,794,680	5,768,734	37,563,414	
Depreciation and amortization	336,093	53,515	252,441	642,050	54,812	696,862	
Impairment loss	—	—	26,507	26,507	—	26,507	
Capital expenditure	1,048,891	24,893	162,342	1,236,127	893,709	2,129,837	

## By location

	Previous consolidated accounting period (April 1, 2005 to March 31, 2006) (thousand yen)					
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
I . Net sales, operating income and loss						
Net sales						
1 . External customers	104,140,596	1,864,875	1,946,535	107,952,007	—	107,952,007
2 . Inter-segment internal sales / transfers	602,653	13,383,598	1,226,047	15,212,299	(15,212,299)	—
Total	104,743,250	15,248,474	3,172,583	123,164,307	(15,212,299)	107,952,007
Operating expenses	101,816,053	15,013,094	3,350,851	120,179,999	(14,672,648)	105,507,350
Operating income (or loss)	2,927,196	235,379	(178,267)	2,984,308	(539,651)	2,444,656
II . Assets	33,338,735	7,536,463	743,936	41,619,135	(4,055,721)	37,563,414

Notes: 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, 2006 to March 31, 2007) (thousand yen)					
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
I . Net sales, operating income and loss						
Net sales						
1 . External customers	108,287,779	3,460,012	2,385,704	114,133,497	—	114,133,497
2 . Inter-segment internal sales / transfers	855,014	12,354,050	1,656,467	14,865,533	(14,865,533)	—
Total	109,142,794	15,814,063	4,042,172	128,999,030	(14,865,533)	114,133,497
Operating expenses	106,046,654	15,567,204	4,153,248	125,767,107	(14,879,768)	110,887,338
Operating income (or loss)	3,096,139	246,858	(111,075)	3,231,922	14,235	3,246,158
II . Assets	36,784,448	8,610,790	912,129	46,307,367	(3,961,431)	42,345,936

Notes: 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, 2005 to March 31, 2006) and current accounting period (April 1, 2006 to March 31, 2007).

Transactions with affiliates

Previous consolidated accounting period (April 1, 2005 to March 31, 2006)

(1) Parent company and major shareholder corporations

(1) Sister companies

Status		Subsidiary of a parent company			
Name		JAPAN AIRLINES INTERNATIONAL Co., Ltd.	JAPAN TRANSOCEAN AIR Co., Ltd.	JAL CAPITAL Co., Ltd.	
Address		Shinagawa-ku, Tokyo	Naha-City, Okinawa	Shinagawa-ku, Tokyo	
Capital or investment (¥ thousand)		188,550,335	4,537,200	3,500,000	
Subject of business or occupation		Air transport service	Air transport service	Finance and general leasing	
Percentage of voting stock ownership		None	None	None	
Related matters	Common board members	Holding additional posts 2	None	Holding additional posts 1	
	Business relationship	Procurement consulting and support services & sales relating to aviation	Aircraft components supply	Loan company dealing with JALUX	
Transaction details and Amount (¥ thousand)		Procurement and sales of aircraft components and cabin service goods.	Sales of aircraft parts	Loan and repayment of transport and equipment assets	
		14,445,701	2,389,425	Loan 2,400,000 Repayment 2,800,000	
Account and balance at the end of term (¥ thousand)		Accounts receivable trade	Accounts receivable trade	Short-term debt	Interest paid
		2,395,277	379,356	400,000	430

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. 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) When undertaking procurement, supporting or consulting work relating to sales of aircraft parts with Japan Transocean Air 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.
- (3) JAL Capital Co., Ltd. loans of operating and equipment capital are determined by short-term prime rates and Japanese yen-denominated TIBOR.

Note: Consumption tax does not apply to transaction sums.

Current consolidated accounting period (April 1, 2006 to March 31, 2007)

(1) Sister companies

Status		Subsidiary of a parent company					
Name		JAPAN AIRLINES INTERNATIONAL Co., Ltd.		JAPAN TRANSOCEAN AIR Co., Ltd.	JAL CAPITAL Co., Ltd.		
Address		Shinagawa-ku, Tokyo		Naha-City, Okinawa	Shinagawa-ku, Tokyo		
Capital or investment (¥ thousand)		100,000,000		4,537,200	3,500,000		
Subject of business or occupation		Air transport service		Air transport service	Finance and general leasing		
Percentage of voting stock ownership		None		None	None		
Related matters	Common board members	Transferred residence 2 Holding additional posts 3		None	None		
	Business relationship	Procurement consulting and support services & sales relating to aviation		Aircraft components supply	Loan company dealing with JALUX		
Transaction details and Amount (¥ thousand)		Procurement and sales of aircraft components and cabin service goods.		Sales of aircraft parts	Loan and repayment of transport and equipment assets		
		Sale 14,899,629 Procurement 5,118,236		2,284,092	Loan 17,000,000 Repayment 16,400,000		
Account and balance at the end of term (¥ thousand)		Accounts receivable trade	Advance payments	Account payable	Accounts receivable trade	Short-term debt	Interest paid
		2,395,277	462,482	1,106,628	598,439	1,000,000	3,828

Transaction conditions and decision-making policy

- (3) When undertaking procurement, supporting or consulting work relating to sales of aircraft parts, cabin supplies and other items with Japan Airlines International 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.
- (4) When undertaking procurement, supporting or consulting work relating to sales of aircraft parts with Japan Transocean Air 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.
- (4) JAL Capital Co., Ltd. loans of operating and equipment capital are determined by short-term prime rates and Japanese yen-denominated TIBOR.

Note: Consumption tax does not apply to transaction sums.

Per share information

Previous consolidated accounting period (April 1, 2005 to March 31, 2006)	Current consolidated accounting period (April 1, 2006 to March 31, 2007)
Book value per share ¥1,036.14	Book value per share ¥1,142.19
Earnings per share ¥132.57	Earnings per share ¥124.01
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, 2005 to March 31, 2006)	Current consolidated accounting period (April 1, 2006 to March 31, 2007)
Earnings per share		
Net income (thousand yen)	1,689,240	1,579,827
Sum not belonging to holders of shares of common stock (thousand yen)	-2,491	-2,673
(Sum of which paid out as employee bonuses for profit disposal)	(-2,491)	(-2,673)
Net income available to shareholders of shares of common stock (thousand yen)	1,691,732	1,582,501
Average number of outstanding shares (thousand yen)	12,760	12,760