

# 1. 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, aircraft fuel, 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 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 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 on-board JAL SHOP and JAL World Shopping Club, as well as JAL Shopping on the JAL website's Web mall

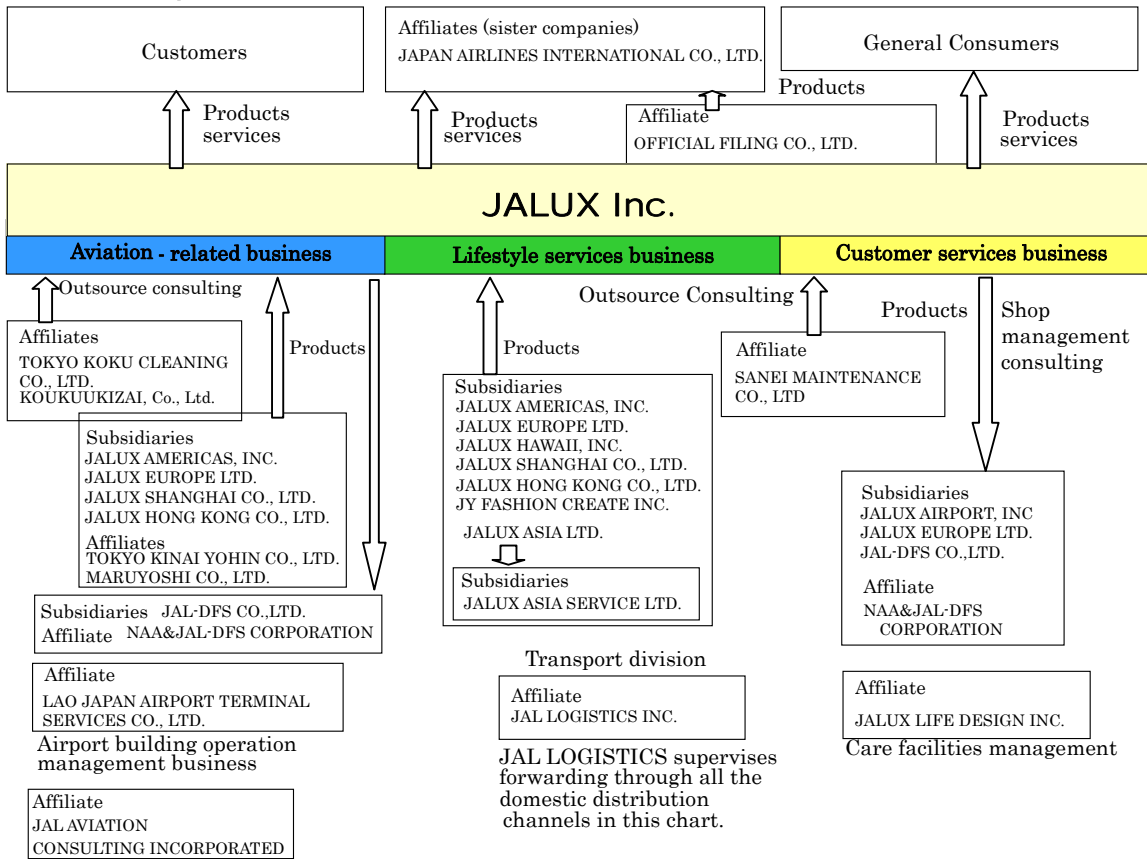
(3) Customer services business

This sector mainly targets the general consumer and company and undertakes 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 AVIATION CONSULTING INCORPORATED
- NAA&JAL-DFS CORPLATION

※----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 JALAERO-CONSULTING INCORPORATED on November 1, 2006.

**Sister companies**

JAPAN AIRLINES INTERNATIONAL CO., LTD. Air transport business

\* Sister companies Japan Airlines International Co., Ltd. and Japan Airlines Domestic Co., Ltd. integrated on October 1, 2006 under the name of Japan Airlines International Co., Ltd.

- 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>Parent company</b> JAPAN AIRLINES CORPORATION (notes 2, 3)	Shinagawa- ku, Tokyo	174,250,000	Holding corporation for companies engaged in air transport services and related businesses	51.7 (0.2)	maintains and manages buildings.
<b>Consolidated subsidiaries</b>					
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)	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.
KOKUUKIZAI, 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.

## 2. 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 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.

In the period ended March 2006, dividend payouts rose for the sixth consecutive period to 24 yen per share. We predict the payout to rise by 6 yen to reach 30 yen per share in the period ended March 2007.

We are also working to strengthen our financial structure and management base, and we aim to return more income to the shareholders through future business expansion and increased profitability. In the mid-term, we will endeavor to meet shareholders’ expectations by establishing a payout ratio goal of 30% (non-consolidated basis).

### **(c) 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 2008 (Consolidated)</b>		
(million yen)	Results for period ended March 2006	Period ending March 2009 (plan)
Net sales	107,952	125,000
Ordinary income	3,212	5,000
Ratio of ordinary income to sales	3.0%	4.0%
Net income	1,689	2,700
ROE	13.6%	16.0%
ROA	4.6%	5.5%

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

In the mid- to long-term view, we aim to enhance customer satisfaction, increase corporate value, and sustaining growth. We also aim to realize our management positions and goals by practicing CSR (Corporate Social Responsibility) while efficiently promoting business strategy. Our basic strategy is to pursue profit expansion outside the JAL group as we strengthen and expand our customer base.

Moreover, in order to realize our corporate philosophy and management position while enhancing mid- to long-term profitability, we are driving to develop new business in the three growth areas of environment, culture, and public welfare with the aim of achieving continuous growth. In the mid-term, we aim to tackle each of these themes with the following business strategies and achieve each target.

B-to-C Strategy

1. Strengthen marketing power: Build accurate marketing and sales strategies through system consolidation and cultivating specialist knowledge
2. Strengthen quality control systems: Strengthen quality control and risk management and realign the group's product and function categories
3. Enhance management efficiency: Enhance efficiency by consolidating and integrating common functions in-house for thoroughgoing cost and information management

B-to-B Strategy

1. Strengthen marketing power: Build accurate marketing and sales strategies through system consolidation and cultivating specialist knowledge
2. Strengthen cooperation: Create integrative power and synergy by strengthening cooperation among in-house departments and with group companies
3. Use external resources: Complement expertise, boost speed, and create synergy through dynamic cooperation

New Business Strategies

In the area of environment and culture, we are acting to exploit management resources for the JAL group as a whole and to develop new businesses and products.

In the area of welfare, we are acting to expand profits and cultivate knowledge and expertise for care businesses while developing business in additional welfare fields.

We are also acting to expand the business domain and are investing dynamically in M&As and other areas where we anticipate synergy between growth fields and established business areas.

(e) 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	51.7 (0.2)	Tokyo Stock Exchange, 1 <sup>st</sup> section Osaka Securities Exchange, 1 <sup>st</sup> section Nagoya Securities Exchange, 1 <sup>st</sup> section

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

(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 51.7 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.11-13).

(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. 11-13.

### 3. Operating Results and Financial Status

#### (a) Operating Results

##### Overall Results in the Current Interim

In the current period (April 1 to September 30, 2006), 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.

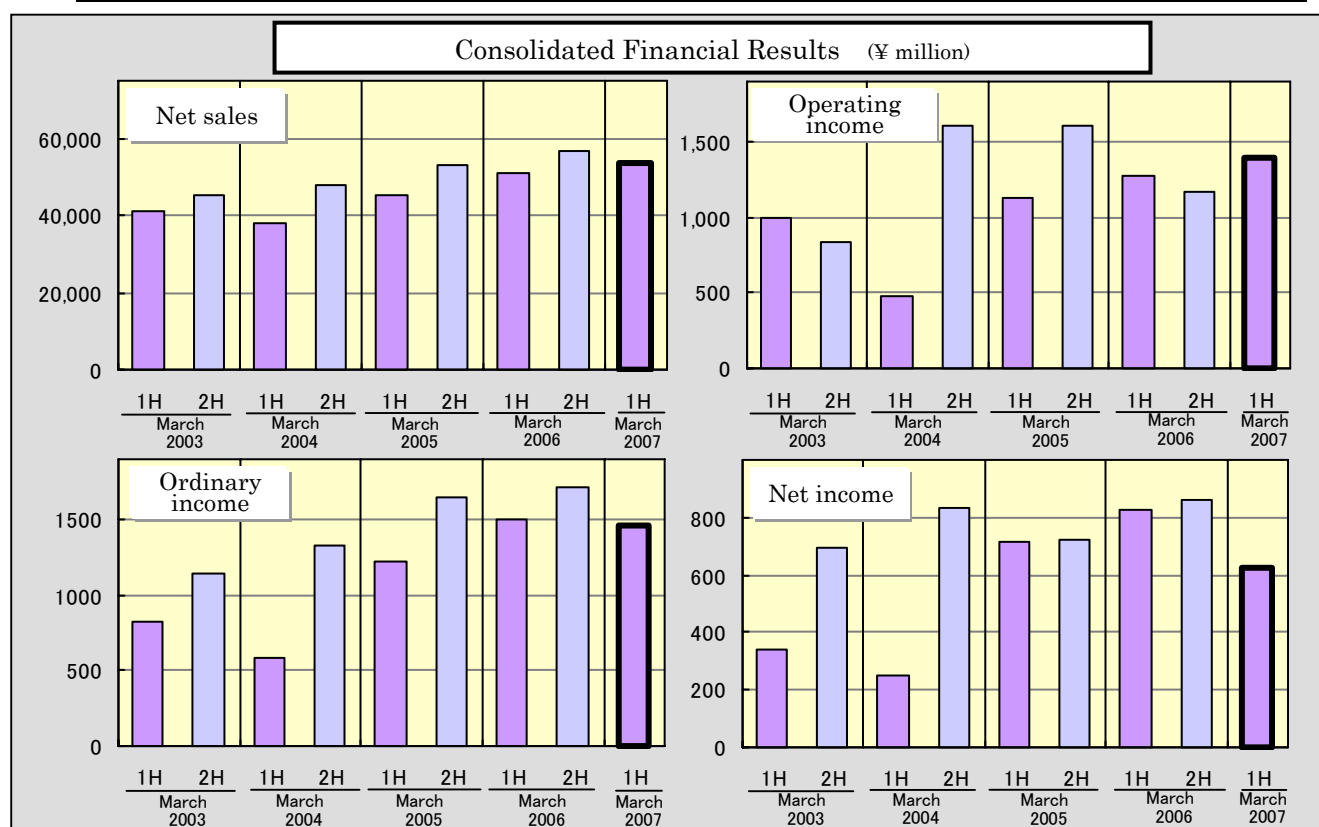
In the aviation-related segment, especially, JALUX returned to strong profit with the positioning of the aircraft parts storage and supply business as an area for expansion in the mid-term business plan, and the strong performance of machine and materials sales.

In the customer services segment, meanwhile, the “Blue Sky” airport shops performed strongly.

These results led net sales in the current interim period to reach 53,609 million yen, exceeding the figure for the previous period. Operating income rose to 1,400 million yen, benefiting from restraint in the rise of selling, general, and administrative expenses and marking the third consecutive period of record interim profits. Meanwhile, both ordinary income and net income fell below the figures for the previous interim at 1,468 million yen and 623 million yen respectively. This was due to the absence of factors active in the previous interim including the calculation of currency conversion figures as non-operating income on the consolidated accounts, and a lower tax burden due to losses incurred by lower share valuation.

Furthermore, in comparison with projected consolidated results for the interim announced at the start of the period, net sales, operating income, ordinary income, and net income all grew steadily to exceed expectations.

Operating Results (¥ million)	Previous interim (Apr. 1, 2005- Sep. 30, 2005)	Current interim (Apr. 1, 2006- Sep. 30, 2006)	Change (%)	Increase/ Decrease
Net sales	50,943	53,609	105.2	2,666
Operating income	1,276	1,400	109.8	124
Ordinary income	1,504	1,468	97.6	-36
Net income	827	623	75.4	-203



## Performance by Segment in the Current Interim

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.

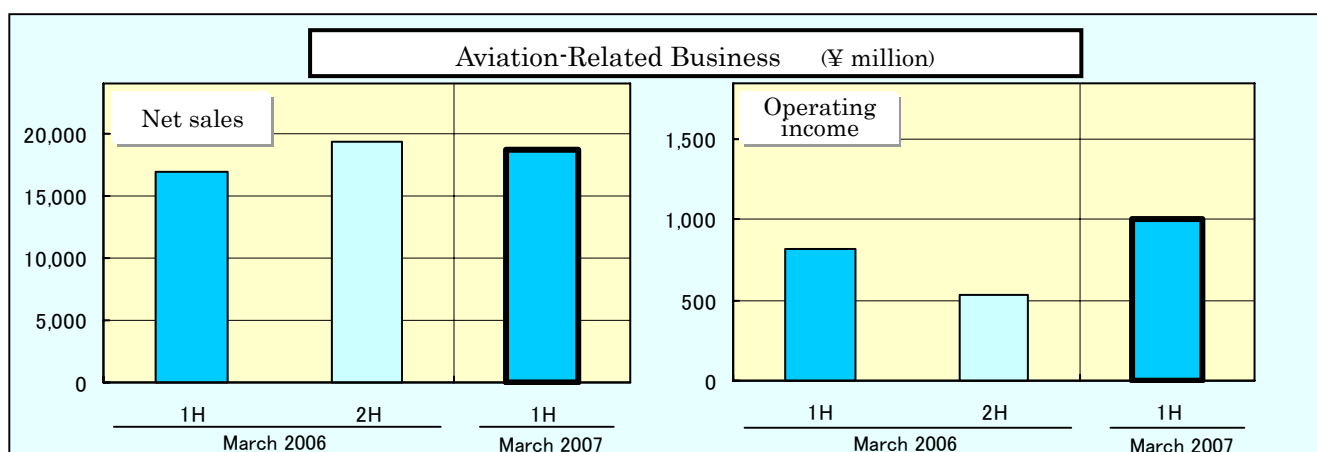
In order to strengthen business and raise efficiency by bringing together planning & production and product development functions, the printing and media division have been reorganized as the lifestyle services business segment. The printing and media division results, including those for the customer 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 (interim) period will replace the previous figures as new classification standards.

### 1) Aviation-related business

In the aerospace, fuel, and machinery and materials segment, usage figures for domestic heavy industry continued to grow for the aircraft engine parts storage and supply business\* launched in 2004. Sales to companies outside the JAL group have also risen due to factors such as higher sales of special rolling stock for use in airports.

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

Aviation-related business (¥ million)	Previous interim (Apr. 1, 2005- Sep. 30, 2005)	Current interim (Apr. 1, 2006- Sep. 30, 2006)	Change (%)	Increase/ Decrease
Net sales	16,985	18,711	110.2	1,725
Operating income	821	1,011	123.1	189



### 2) Lifestyle services business

In the food and beverage sector, the success of value-added sales through the import and sale of frozen marine products and fruit and vegetables continued to contribute to good results that exceeded those for the previous period. The processed food area also saw strong sales from the “JAL Selection de Sky series,” cabin food, and other sources. For the gift product consulting business including the “Choice Communication Gift,” system building and other efforts promoted enhanced efficiency and contributed to improved profitability.

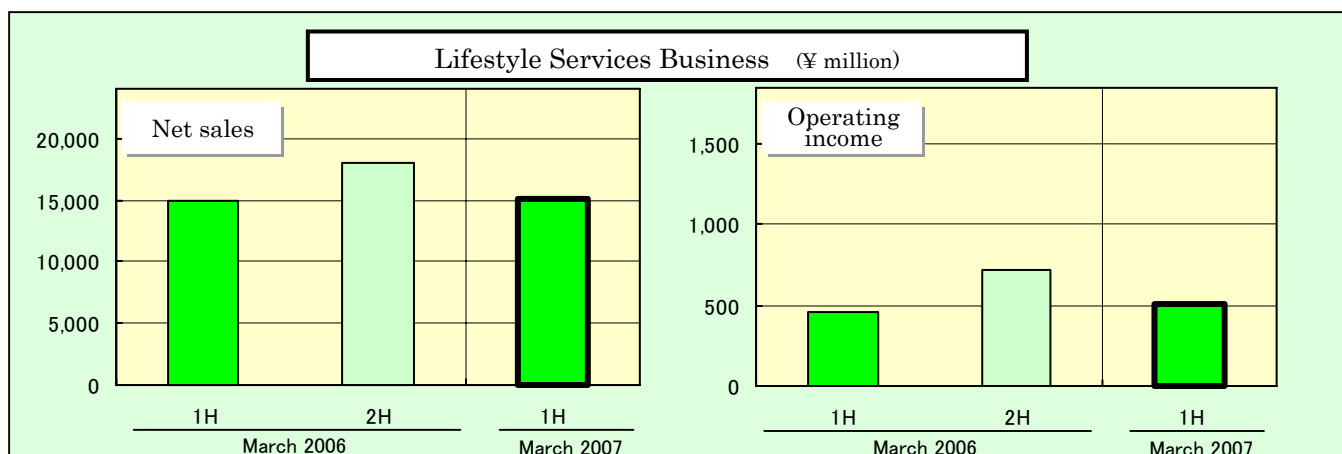
The miscellaneous and media related sector performed steadily thanks to such factors as an expansion of orders from non-group companies, including corporate sales promotion (sales promotion, advertising publicity media, and printed matter) and gift products.

For mail order segment, orders have remained level for the in-flight “JAL Shop” catalog due to such factors as changing the publication month, but sales have generally been firm for the “JAL World Shopping Club” DM catalog and the “Gourmet First Class” food catalog supplement.

As a result of these factors, net sales reached 15,070 million yen and operating income 511 million yen, with both figures exceeding those for the previous year.



<b>Lifestyle services business</b> (¥ million)	Previous interim (Apr. 1, 2005- Sep. 30, 2005)	Current interim (Apr. 1, 2006- Sep. 30, 2006)	Change (%)	Increase/Decrease
Net sales	14,972	15,070	100.7	98
Operating income	455	511	112.3	56



### 3) Customer services business

In the life design sector, JAL Vacations\* sales support, which started in 2004, spread to Hawaii and Phuket in 2006, and has now begun to handle properties in Las Vegas, performed well, especially in Hawaii. The real estate subleasing business has also expanded steadily, and has contributed to raising profits.

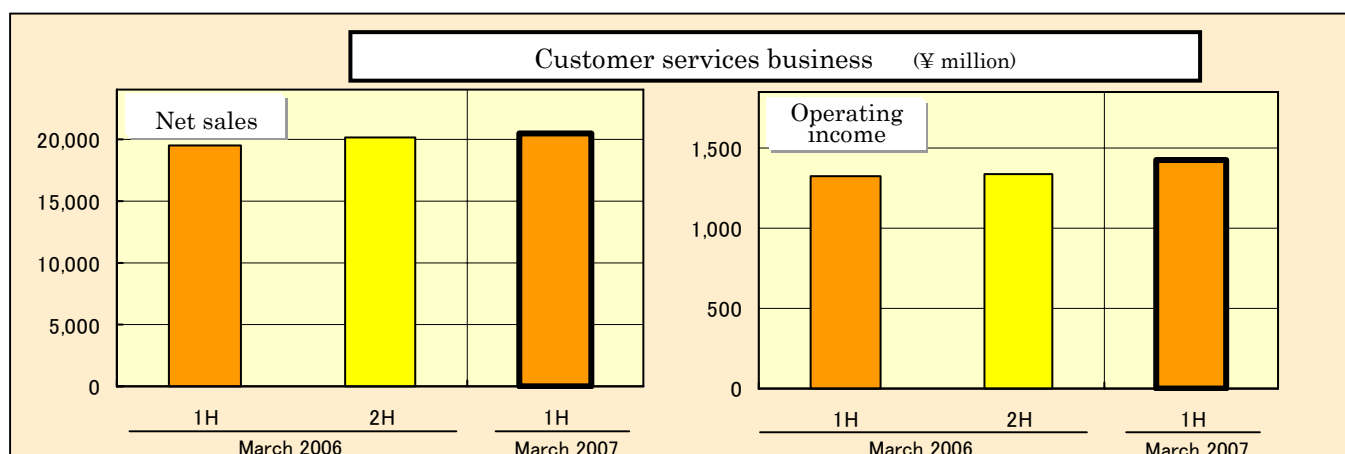
\* A resort timeshare system selling the rights to resort properties in Hawaii and other places in weekly units.

In the airports, the number of the Blue Sky shops (established at Japanese airports) at New Chitose Airport grew from 7 to 12 due to transfer of business in April 2006. Meanwhile, Haneda Airport saw a temporary fall in income from Blue Sky shops as a result of terminal restructuring in previous period, but enhanced efficiency has restored both profits and income.

A drop in income from lower user numbers accompanying restructuring was predicted at the start of the current period for JAL-DFS duty-free shops in Narita Airport's Terminal 2, but performance has generally remained steady as a result of such factors as a rise in customer unit spending.

As a result, net sales reached 20,436 million yen and operating income 1,419 million yen, with both figures exceeding those for the previous year.

<b>Customer services business</b> (¥ million)	Previous interim (Apr. 1, 2005- Sep. 30, 2005)	Current interim (Apr. 1, 2006- Sep. 30, 2006)	Change (%)	Increase/Decrease
Net sales	19,458	20,436	105.0	977
Operating income	1,320	1,419	107.5	99



## **Operating Results Outlook for the Full Year**

A generally favorable business environment in the current interim has helped maintain performance on a growth track, and JALUX anticipates a gradual expansion of customer demand. We also aim to reliably achieve our targets throughout the group in the second half of the year by continually enhancing both business quality and market competitiveness.

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

In the mail order sector of the lifestyle services business, we are aiming to raise profits over the full year due to sales promotion policies and measures to raise the gross profit ratio for the in-flight “JAL Shop” catalog, as well as enhancing marketing power (product and customer analysis, catalog distribution accuracy, and customer service) accompanying new system operations and enhancing efficiency (putting businesses online and reducing data costs).

In the real-estate sector of the customer services segment, we anticipate increased profits from factors such as an expansion of the property line-up with the promotion of the “JAL Vacations” and property sub-leasing developments. For the “Blue Sky” airport shops, we anticipate a rise in profits centered on areas such as the expansion of shop numbers from 7 to 12 at New Chitose Airport in April 2006, and the promotion of still greater efficiency for the Haneda Airport shops resulting from a two-year terminal restructuring program. Meanwhile, predictions made at the start of the period anticipated a fall in profits in the second half due to a fall in customer numbers at the “JAL-DFS” duty-free shops at Narita Airport as a result of terminal restructuring from June 2006. We now anticipate improving on this outlook due to factors such as a strong rise in demand and higher spending per customer.

In the welfare area of the new business, moreover, we plan to expand business with the opening of a new facility in the second half at the senior citizens’ care facility “JALUX Good Time Home”.

As a result of the above factors, we predict a rise in full-year profits and revenue and the reliable achievement of the mid-term plan in line with predictions made at the start of the period.

Operating Results (¥ million)	Current period (year ended March 2006)	Next period (E) (year ending March 2007)	Change (%)	Increase/ Decrease
Net sales	107,952	111,000	102.8	3,047
Ordinary income	3,212	3,400	105.8	187
Net income	1,689	1,700	100.6	10

### **(b) Financial Position**

Cash and cash equivalents have fallen 789 million yen, or 86.3 percent, since the end of the previous interim to 4,272 million yen. These figures were influenced by such factors as the impact of systems investment, despite generally steadily revenue from business transactions.

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

#### **Operating activities**

Funds acquired from operating activities fell 1,595 million yen, or 37.4 percent, over the previous interim to 953 million yen, despite steadily revenue from business transactions and an increase in notes and accounts payable. The fall was due to such factors as an increase in notes and accounts receivable, expenditure of advance payments relating to construction plants, acquisition of real estate for setting up sales, and the replenishing of inventory products at the end of the year on the other.

### Investing activities

Funds used in investing activities rose 340 million yen (156 percent) over the previous interim to 940 million yen. This was due to such factors as the acquisition of intangible fixed assets accompanying the construction of JALUX's new main system, and the acquisition of fixed assets and payment of deposits accompanying receipt of a part-transfer in the airport shop business.

### Financing activities

JALUX carried out long-term borrowing for new working capital while repaying long- and short-term loans. Moreover, both JALUX and its JAL-DFS subsidiary have increased dividends. As a result of these factors, funds used in financing activities fell 504 million yen (61.7 percent) over the previous interim to 815 million yen.

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

	Period ended March 2004		Period ended March 2005		Period ended March 2006		Period ending March 2007
	Interim	Full term	Interim	Full term	Interim	Full term	Interim
Shareholders' equity ratio (%)	29.6	29.3	31.8	33.0	35.0	35.2	34.9
Shareholders' equity at market value (%)	43.5	82.2	77.9	71.5	72.3	72.7	72.5
Debt repayment (yrs)	10.3	4.7	4.0	2.9	1.9	2.2	6.0
Interest coverage ratio	17.3	18.4	43.5	29.9	63.9	28.2	16.2

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 (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.

	Interim of Year Ended Mar. 2006		Interim of Year Ending Mar. 2007	
	Amount (million yen)	Change (%)	Amount (million yen)	Change (%)
Japan Airlines Corporation	14	0.0	37	0.1
Japan Airlines International Co., Ltd.	7,977	15.7	8,051	15.0
Other JAL group companies	6,503	12.8	6,331	11.8
Total	14,495	28.5	14,420	26.9

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 Airport, 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.

We are already investing in the establishment of a care business operating company and the creation of image content with "The Great China" travelogue. 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.

(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.

## 4. Consolidated financial statements

### 1. Consolidated balance sheets

(thousand yen)

Account	End of previous interim (as of Sep. 30, 2005)		End of current interim (as of Sep. 30, 2006)		Change	End of previous accounting period (as of Mar. 31, 2006)		
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount	Amount	Composi- tion rate (%)	
(Assets)								
I Current assets								
1. Cash and deposits	6,033,172		4,940,120			4,954,081		
2. Notes and accounts receivable	9,671,451		11,534,647			11,376,827		
3. Inventories	5,482,493		5,973,088			5,653,412		
4. Securities	-		7,879			-		
5. Deferred tax assets	405,002		451,242			471,881		
6. Other	2,529,516		3,391,844			2,889,771		
Allowance for doubtful accounts	-30,321		-46,630			-43,653		
Total current assets	24,091,314	68.9	26,252,191	67.8	2,160,876	25,302,319	67.4	
II Fixed assets								
1. Property, plant and equipment								
(1) Buildings and structures	4,430,098		4,550,179			4,582,931		
Accumulated depreciation	2,066,171	2,363,926	2,262,578	2,287,600		2,214,876	2,368,055	
(2) Machinery and delivery equipment	291,872		263,030			307,458		
Accumulated depreciation	209,562	82,309	199,697	63,332		234,623	72,834	
(3) Aircraft	2,380,295		3,150,352			3,229,398		
Accumulated depreciation	889,114	1,491,180	1,167,868	1,982,483		1,062,822	2,166,576	
(4) Other	730,287		772,795			760,305		
Accumulated depreciation	416,225	314,061	473,994	298,800		446,061	314,243	
(5) Land		399,574		407,218			412,073	
(6) Construction in progress		147,827		88,846			51,151	
Total property, plant and equipment		4,798,880	13.7	5,128,283	13.2	329,402	5,384,936	14.3
2. Intangible fixed assets								
(1) Software		630,680		1,702,200			293,953	
(2) Other		34,275		28,546			933,038	
Total intangible fixed assets		664,955	1.9	1,730,747	4.5	1,065,791	30,966	
3. Investments and other assets							1,257,958	3.3
(1) Investment securities		2,266,194		2,571,178			2,481,657	
(2) Investment affiliated		493,207		546,857			462,941	
(3) Long-term rental deposits		1,943,305		1,890,160			1,917,076	
(4) Deferred tax assets		367,903		295,733			342,692	
(5) Other		476,186		392,733			546,147	
Allowance for doubtful accounts		-153,377		-106,536			-132,315	
Total investments and other assets		5,393,420	15.5	5,590,127	14.5	196,706	5,618,199	15.0
Total fixed assets		10,857,257	31.1	12,449,158	32.2	1,591,900	12,261,094	32.6
Total assets		34,948,571	100.0	38,701,349	100.0	3,752,777	37,563,414	100.0

(thousand yen)

Account	End of previous interim (as of Sep. 30, 2005)		End of current interim (as of Sep. 30, 2006)		Change	End of previous accounting period (as of Mar. 31, 2006)	
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount	Amount	Composi- tion rate (%)
(Liabilities)							
I Current liabilities							
1. Notes and accounts payable	11,319,148		13,131,920			11,854,649	
2. Short-term debt	2,461,967		2,873,866			2,999,361	
3. Accrued corporate tax, etc.	584,342		591,298			596,344	
4. Accrued expenses	2,080,975		2,405,309			2,267,168	
5. Other	2,108,422		1,649,478			2,239,667	
Total current liabilities	18,554,856	53.1	20,651,873	53.4	2,097,016	19,957,190	53.2
II Fixed liabilities							
1. Long-term debt	2,447,755		2,827,481			2,549,370	
2. Directors' retirement allowances	346,996		194,756			283,616	
3. Addition to reserve for compensation to retired directors	160,055		164,814			185,728	
4. Deferred tax liabilities	4,646		77,861			57,027	
5. Other	412,494		421,083			424,554	
Total fixed liabilities	3,371,948	9.7	3,685,998	9.5	314,050	3,500,298	9.3
Total liabilities	21,926,805	62.8	24,337,872	62.9	2,411,066	23,457,489	62.5
(Minority interests)							
Minority interests	782,546	2.2	—	—	-782,546	881,358	2.3
(Shareholders' equity)							
I Common stock	2,558,550	7.3	—	—	-2,558,550	2,558,550	6.8
II Paid-in capital	711,296	2.0	—	—	-711,296	711,363	1.9
III Retained earnings	9,130,717	26.1	—	—	-9,130,717	9,992,376	26.6
IV Unrealized gains on securities	15,084	0.0	—	—	-15,084	22,663	0.0
V Conversion adjustment	-167,415	-0.4	—	—	167,415	-51,101	-0.1
VI Treasury stock	-9,013	-0.0	—	—	9,013	-9,284	-0.0
Total shareholders' equity	12,239,219	35.0	—	—	-12,239,219	13,224,566	35.2
Total liabilities, minority interests and shareholders' equity	34,948,571	100.0	—	—	-34,948,571	37,563,414	100.0

Account	End of previous interim (as of Sep. 30, 2005)		End of current interim (as of Sep. 30, 2006)		Change	End of previous accounting period (as of Mar. 31, 2006)	
	Amount	Composi- tion rate (%)	Amount	Composi- tion rate (%)	Amount	Amount	Composi- tion rate (%)
(Net assets)							
I Shareholder's equity							
1. Common stock	—	—	2,558,550	6.6	2,558,550	—	—
2. Paid-in capital	—	—	711,363	1.8	711,363	—	—
3. Retained earnings	—	—	10,333,837	26.7	10,333,837	—	—
4. Treasury stock	—	—	-9,388	-0.0	-9,388	—	—
Total shareholder's equity	—	—	13,594,361	35.1	13,594,361	—	—
II Evaluation and conversion figures							
1. Unrealized gains on securities	—	—	5,315	0.0	5,315	—	—
2. Deferred gains or losses on hedges	—	—	8,392	0.0	8,392	—	—
3. Conversion adjustment	—	—	-91,571	-0.2	-91,571	—	—
Total evaluation and conversion figures	—	—	-77,864	-0.2	-77,864	—	—
III Minority interests	—	—	846,979	2.2	846,979	—	—
Total net assets	—	—	14,363,477	37.1	14,363,477	—	—
Total liabilities and net assets	—	—	38,701,349	100.0	38,701,349	—	—



**2. Consolidated income statements**

(thousand yen)

Account	Previous interim (Apr. 1, 2005 to Sep. 30, 2005)		Composi- tion rate (%)	Current interim (Apr. 1, 2006 to Sep. 30, 2006)		Composi- tion rate (%)	Change Amount	Previous accounting year (Apr. 1, 2005 to Mar. 31, 2006)		Composi- tion rate (%)
	Amount	Amount		Amount	Amount			Amount	Amount	
I Net sales		50,943,591	100.0		53,609,711	100.0	2,666,120		107,952,007	100.0
II Cost of sales		39,508,040	77.5		41,781,153	77.9	2,273,113		84,595,451	78.4
Gross profit		11,435,550	22.5		11,828,558	22.1	393,007		23,356,555	21.6
III Selling, general and administrative expenses										
1. Packing and transportation expenses	501,969			456,805				1,048,719		
2. Payroll allowance	3,953,836			4,039,149				7,906,162		
3. Employee retirement expenses	116,532			103,902				246,246		
4. Rent expenses	2,328,610			2,383,305				4,689,576		
5. Depreciation	188,666			191,644				374,795		
6. Addition to reserve for compensation to retired directors	26,827			27,961				52,500		
7. Other	3,043,025	10,159,468	20.0	3,225,031	10,427,800	19.5	268,331	6,593,896	20,911,898	19.3
Operating income		1,276,082	2.5		1,400,757	2.6	124,675		2,444,656	2.3
IV Non-Operating income										
1. Interest income	5,444			7,252				19,283		
2. Dividends	14,106			13,541				36,556		
3. Exchange gain	130,034			29,652				583,288		
4. Group insurance dividends	15,007			16,050				15,007		
5. Equity in earnings of affiliates	58,251			14,806				108,864		
6. Other	65,390	288,235	0.6	67,632	148,937	0.3	-139,298	115,699	878,699	0.8
V Non-Operating expenses										
1. Interest paid	37,895			63,956				94,722		
2. Other	21,587	59,482	0.1	17,227	81,183	0.2	21,700	15,683	110,405	0.1
Ordinary income		1,504,834	3.0		1,468,511	2.7	-36,323		3,212,950	3.0

(thousand yen)

Account	Previous interim (Apr. 1, 2005 to Sep. 30, 2005)			Current interim (Apr. 1, 2006 to Sep. 30, 2006)			Change Amount	Previous accounting year (Apr. 1, 2005 to Mar. 31, 2006)		
	Amount		Composi- tion rate (%)	Amount		Composi- tion rate (%)		Amount		Composi- tion rate (%)
VI Extraordinary profit										
1. Gain on sales of fixed assets	11,265			198				12,022		
2. Reversal of allowance for doubtful receivables	2,131			27,647				6,730		
3. Other	—	13,396	0.0	2,634	30,480	0.1	17,083	130,131	148,884	0.1
VII Extraordinary loss										
1. Fixed asset disposal losses	4,898			43,456				26,312		
2. Write-down of inventories	—			14,343				8,550		
3. Other	—	4,898	0.0	3,493	61,293	0.1	56,395	157,210	192,073	0.2
Net income before adjustment of taxes, etc.		1,513,333	3.0		1,437,699	2.7	-75,634		3,169,761	2.9
Corporate income taxes, resident taxes, etc.	559,826			628,756				1,246,151		
Deferred income taxes	39,094	598,920	1.2	93,788	722,545	1.3	123,624	49,784	1,295,936	1.2
Minority interest in income of consolidated subsidiaries		86,830	0.2		91,260	0.2	4,429		184,584	0.1
Net income		827,582	1.6		623,893	1.2	-203,688		1,689,240	1.6

**3. Consolidated statement of shareholders' equity**

(thousand yen)

Account	End of previous interim (as of Sep. 30, 2005)		End of previous accounting period (as of Mar. 31, 2006)	
	Amount		Amount	
(Paid-in capital)				
I At beginning of period		711,296		711,296
II Increase				
1. Treasury stocks disposal margin	—	—	66	66
III Paid-in capital at end of period		711,296		711,363
(Retained earnings)				
I At beginning of period		8,608,902		8,608,902
II Increase				
1. Net income	827,582	827,582	1,689,240	1,689,240
III Decrease				
1. Cash dividend paid	280,974		280,974	
2. Directors' bonuses paid	24,792	305,766	24,792	305,766
IV Retained earnings at end of period		9,130,717		9,992,376

#### 4. Consolidated interim statement of changes in shareholders' equity

Current interim (Apr. 1, 2006 to Sep. 30, 2006)

	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			623,893	—	623,893
Acquired treasury stock	—	—	—	-111	-111
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 September 30, 2006 (thousand yen)	2,558,550	711,363	10,333,837	-9,388	13,594,361

	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	—	—	—	—	—	623,893
Acquired treasury stock	—	—	—	—	—	-111
Increase in affiliates accounted for by the equity method	—	—	—	—	—	24,082
Decrease in treasury stock from changes in equity	—	—	—	—	—	8
Other net changes	-17,348	8,392	-40,470	-49,426	-34,378	-83,804
Total changes (thousand yen)	-17,348	8,392	-40,470	-49,426	-34,378	257,552
Balance as of September 30, 2006 (thousand yen)	5,315	8,392	-91,571	-77,864	846,979	14,363,477

**5. Consolidated cash flow statement**

(thousand yen)

	Previous interim (Apr. 1, 2005 to Sep. 30, 2005)	Current interim (Apr. 1, 2006 to Sep. 30, 2006)	Change	Previous accounting year (Apr. 1, 2005 to Mar. 31, 2006)
Account	Amount	Amount	Amount	Amount
I Cash flows from operating activities				
1. Net income before adjustment of taxes, etc.	1,513,333	1,437,699	-75,634	3,169,761
2. Depreciation	336,131	372,017	35,885	696,862
3. Decrease in doubtful debt reserve	-6,588	-22,579	-15,990	-15,041
4. Decrease in addition to reserve for compensation to retired directors	-14,895	-20,913	-6,018	—
5. Increase (decrease) in employee retirement expenses	17,895	-88,860	-106,755	-45,483
6. Interest and dividends received	-19,551	-20,794	-1,243	-55,840
7. Interest paid	37,895	63,956	26,060	94,722
8. Exchange gain or loss	-14,283	-20,276	-5,992	-26,545
9. Equity in earnings of affiliates	-58,251	-14,806	43,444	-108,864
10. Write-down of inventories	-6,367	14,343	14,343	8,550
11. Loss on retirement of fixed assets	—	43,257	49,624	14,289
12. Gain on sales of investment securities	—	-2,634	-2,634	—
13. Increase (decrease) in accounts receivable	1,486,675	-338,202	-1,824,878	-673,942
14. Increase in inventories	-227,414	-341,990	-114,575	-343,115
15. Increase in accounts payable	410,162	1,297,733	887,570	884,319
16. Increase in advance payments	—	-518,205	-518,205	—
17. Directors' bonuses	-26,100	-22,870	3,230	-26,100
18. Other	-125,909	-233,233	-107,324	417,924
Subtotal	3,302,733	1,583,638	-1,719,094	3,991,497
19. Interest and dividends received	33,911	35,360	1,448	70,272
20. Interest paid	-39,883	-58,966	-19,083	-89,566
21. Corporate taxes paid	-748,326	-607,010	141,316	-1,449,779
Net cash provided by operating activities	2,548,434	953,021	-1,595,413	2,522,424

(thousand yen)

	Previous interim (Apr. 1, 2005 to Sep. 30, 2005)	Current interim (Apr. 1, 2006 to Sep. 30, 2006)	Change	Previous accounting year (Apr. 1, 2005 to Mar. 31, 2006)
Account	Amount	Amount	Amount	Amount
<b>II Cash flows from investing activities</b>				
1. Payments for acquisition of property, plant and equipment	-495,300	-164,984	330,315	-1,096,982
2. Proceeds from sales of property, plant and equipment	11,265	903	-10,362	12,022
3. Payments for acquisition of intangible fixed assets	-241,853	-526,628	-284,774	-895,550
4. Payments for acquisition of investment in subsidiaries and affiliate companies	-30,000	-25,500	4,500	-30,000
5. Proceeds from sales of investment in subsidiaries and affiliate companies	—	54,683	54,683	—
6. Payments for acquisition of securities and investment securities	-52,209	-150,238	-98,029	-262,307
7. Proceeds from sales of securities and investment securities	50,184	3,900	-46,284	100,280
8. Expense for loans	-300	-174,998	-174,697	-1,741
9. Proceeds from loan collection	433,372	26,739	-406,633	465,153
10. Payments for term deposits	-244,932	—	244,932	-243,613
11. Refund from term deposits	14,202	—	-14,202	268,628
12. Expense for increase in long-term rental deposits	-67,103	-151,992	-84,888	-82,982
13. Income from decrease in long-term rental deposits	22,471	248,307	225,835	28,349
14. Increase in restrictive deposits	—	-71,796	-71,796	—
15. Other	686	-8,598	-9,285	-117,997
Net cash provided by (used for) investing activities	-599,516	-940,205	-340,688	-1,856,740
<b>III Cash flows from financing activities</b>				
1. Net increase (decrease) in short-term debt	-354,611	-818,240	-463,629	5,906
2. Proceeds from increase in long-term debt	—	1,000,000	1,000,000	639,602
3. Payments for long-term debt	-650,253	-571,918	78,334	-1,192,628
4. Dividends paid	-277,257	-302,705	-25,448	-280,974
5. Dividends paid to minority shareholders	-36,812	-121,105	-84,292	-36,990
6. Other	-534	-1,073	-539	-1,381
Net cash provided by (used for) financing activities	-1,319,468	-815,043	504,424	-866,466

(thousand yen)

	Previous interim (Apr. 1, 2005 to Sep. 30, 2005)	Current interim (Apr. 1, 2006 to Sep. 30, 2006)	Change	Previous accounting year (Apr. 1, 2005 to Mar. 31, 2006)
Account	Amount	Amount	Amount	Amount
IV Conversion effect on cash and cash equivalents	8,062	12,454	4,391	12,859
V Net increase in cash and cash equivalents	637,512	-789,772	-1,427,285	-187,922
VI Cash and cash equivalents at beginning of period	5,134,871	4,946,949	-187,922	5,134,871
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	5,772,384	4,272,737	-1,499,647	4,946,949

## Consolidated Segment Data

By business category

Previous interim (Apr. 1, 2005 to Sep. 30, 2005)						
(thousand yen)						
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
Net sales						
1. External customers	16,567,278	12,257,835	22,118,477	50,943,591	—	50,943,591
2. Inter-segment internal sales / transfers	418,093	33,956	—	452,049	(452,049)	—
Total	16,985,371	12,291,791	22,118,477	51,395,640	(452,049)	50,943,591
Operating expenses	16,163,589	12,071,354	20,562,896	48,797,841	869,667	49,667,508
Operating income	821,782	220,436	1,555,580	2,597,799	(1,321,717)	1,276,082

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 current accounting period, non-allocatable operating expense included in the elimination or unallocated amount totalled 1,319 million yen. The main reason was costs relating to the administrative division of the General Affairs department at the parent company's headquarters.

Current interim (Apr. 1, 2006 to Sep. 30, 2006)						
(thousand yen)						
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated
Net sales						
1. External customers	18,160,763	15,012,039	20,436,908	53,609,711	—	53,609,711
2. Inter-segment internal sales / transfers	550,539	58,618	—	609,157	(609,157)	—
Total	18,711,302	15,070,657	20,436,908	54,218,869	(609,157)	53,609,711
Operating expenses	17,700,072	14,558,845	19,017,317	51,276,235	932,718	52,208,953
Operating income	1,011,229	511,812	1,419,591	2,942,633	(1,541,875)	1,400,757

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, 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 1,546 million yen. The main reason was costs relating to the administrative division of the General Affairs department at the parent company's headquarters.

(Additional information)

The current interim saw the transfer of the print and media supplies figures, which were calculated in the customer services business in the previous consolidated interim, to the lifestyle services business in a restructuring initiative. As a result, a comparison of the same categories present in the previous interim state show that net sales fell 2,796 million yen and operating income 243 million yen in the customer services business. In the lifestyle services business, however, net sales rose 2,810 million yen and operating income 243 million yen.

Previous accounting year (April 1, 2005 to March 31, 2005)							(thousand yen)
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated	
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	

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 current 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.

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

Previous interim (Apr. 1, 2005 to Sep. 30, 2005)							(thousand yen)
	Aviation-related	Lifestyle services	Customer services	Total	Elimination or unallocated amount	Consolidated	
Net sales							
1. External customers	16,567,278	14,917,403	19,458,909	50,943,591	—	50,943,591	
2. Inter-segment internal sales / transfers	418,093	54,600	—	472,693	(472,693)	—	
Total	16,985,371	14,972,003	19,458,909	51,416,284	(472,693)	50,943,591	
Operating expenses	16,163,589	14,516,262	18,138,633	48,818,485	849,023	49,667,508	
Operating income	821,782	455,741	1,320,275	2,597,799	(1,321,717)	1,276,082	

By geographical category

	Previous interim (Apr. 1, 2005 to Sep. 30, 2005)					(thousand yen)
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
Net sales						
1. External customers	49,038,684	1,010,004	894,902	50,943,591	—	50,943,591
2. Inter-segment internal sales / transfers	48,876	4,978,312	372,009	5,399,197	(5,399,197)	—
Total	49,087,560	5,988,316	1,266,911	56,342,788	(5,399,197)	50,943,591
Operating expenses	47,744,042	5,866,853	1,384,856	54,995,752	(5,328,243)	49,667,508
Operating income	1,343,517	121,463	(117,944)	1,347,036	(70,954)	1,276,082

- 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 interim (Apr. 1 2006 to Sep. 30, 2006)					(thousand yen)
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
Net sales						
1. External customers	50,815,057	1,875,032	919,621	53,609,711	—	53,609,711
2. Inter-segment internal sales / transfers	475,905	6,327,733	918,998	7,722,637	(7,722,637)	—
Total	51,290,963	8,202,765	1,838,619	61,332,348	(7,722,637)	53,609,711
Operating expenses	49,997,862	8,020,621	1,911,382	59,929,866	(7,720,912)	52,208,953
Operating income	1,293,100	182,144	(72,763)	1,402,481	(1,724)	1,400,757

- 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

	Previous accounting year (April 1, 2005 to March 31, 2006)					(thousand yen)
	Japan	North America	Other regions	Total	Elimination or unallocated amount	Consolidated
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	2,927,196	235,379	(178,267)	2,984,308	(539,651)	2,444,656

- 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

Per share information

Previous interim (Apr. 1, 2005 to Sep. 30, 2005)	Current interim (Apr. 1, 2006 to Sep. 30, 2006)	Previous accounting year (April 1, 2005 to March 31, 2006)
Book value per share ¥959.12	Book value per share ¥1,059.23	Book value per share ¥1,036.14
Earnings per share ¥65.26	Earnings per share ¥49.10	Earnings per share ¥132.57
Concerning per-share net income for the current period after dilution, potential shares do not exist and so are not recorded.	Concerning per-share net income for the current period after dilution, potential shares do not exist and so are not recorded.	Concerning per-share net income for the current period after dilution, potential shares do not exist and so are not recorded.

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

	Previous interim (Apr. 1, 2005 to Sep. 30, 2005)	Current interim (Apr. 1, 2006 to Sep. 30, 2006)	Previous accounting year (April 1, 2005 to March 31, 2006)
Net income (thousand yen)	827,582	623,893	1,689,240
Sum not attributable to holders of shares of common stock (thousand yen)	-5,165	-2,673	-2,491
(Sum of which paid out as employee bonuses for profit disposal)	(-5,165)	(-2,673)	(-2,491)
Net income attributable to holders of shares of common stock (thousand yen)	832,747	621,219	1,691,732
Average number of outstanding shares (thousand yen)	12,760	12,760	12,760