

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Interim Financial Information

*For the six months ended September 30, 2007 and 2006
and the year ended March 31, 2007*

1. Consolidated Financial Highlights

(Amounts of less than one million yen have been omitted.)

- (1) Consolidated Operating Results for the Six Months Ended September 30, 2007 (FH07) and September 30, 2006 (FH06) and the Year Ended March 31, 2007 (FY06)

(Millions of yen except for per share information)

(i) Operating revenues:	FH07	¥1,142,933	(-0.6%)
	FH06	¥1,150,002	(3.4%)
	FY06	¥2,301,915	
(ii) Operating income:	FH07	¥ 56,652	(594.3%)
	FH06	¥ 8,160	(-48.3%)
	FY06	¥ 22,917	
(iii) Ordinary income:	FH07	¥ 58,723	(-)
	FH06	¥ 5,335	(-45.5%)
	FY06	¥ 20,576	
(iv) Net income (loss):	FH07	¥ 7,309	(383.9%)
	FH06	¥ 1,510	(-)
	FY06	¥ (16,267)	
(v) Net income (loss) per share:	FH07	¥ 2.68	
	FH06	¥ 0.66	
	FY06	¥ (6.52)	
(vi) Diluted net income per share:	FH07	¥ 2.63	
	FH06	¥ 0.60	
	FY06	¥ —	

Note 1. Equity in earnings of affiliates:

September 30, 2007	¥ 1,442
September 30, 2006	¥ 1,030
March 31, 2007	¥ 2,481

(2) Consolidated Financial Position at September 30, 2007 (FH07), September 30, 2006 (FH06) and March 31, 2007 (FY06)

(Millions of yen except for per share information)

(i) Total assets:	FH07	¥2,096,455
	FH06	¥2,261,305
	FY06	¥2,091,233
(ii) Net assets:	FH07	¥ 334,581
	FH06	¥ 360,031
	FY06	¥ 331,873
(iii) Net assets ratio excluding minority interests:	FH07	15.0%
	FH06	14.8%
	FY06	14.9%
(iv) Net assets per share excluding minority interests:	FH07	¥ 115.02
	FH06	¥ 122.20
	FY06	¥ 113.97

Note 1. Net assets excluding minority interests:

September 30, 2007	¥ 313,951
September 30, 2006	¥ 333,547
March 31, 2007	¥ 311,087

(3) Consolidated Cash Flows for the Six Months Ended September 30, 2007 (FH07) and September 30, 2006 (FH06) and the Year Ended March 31, 2007 (FY06)

(Millions of yen)

(i) Net cash provided by operating activities:	FH07	¥ 109,143
	FH06	¥ 72,546
	FY06	¥ 127,748
(ii) Net cash used in investing activities:	FH07	¥ (27,386)
	FH06	¥ (42,081)
	FY06	¥ (56,216)
(iii) Net cash (used in) provided by financing activities:	FH07	¥ (49,288)
	FH06	¥ 87,347
	FY06	¥ (53,007)
(iv) Cash and cash equivalents at end of the period:	FH07	¥ 225,156
	FH06	¥ 290,488
	FY06	¥ 191,381

2. Dividends

Annual dividends per share:	FY06	¥ 0.00
	FY07	¥ 0.00
	FY07	
	(forecast) ¥	0.00

3. Consolidated Financial Forecast for the Year Ending March 31, 2008

(1) Operating revenues:	¥2,238,000 million	(-2.8%)
(2) Operating income:	¥ 48,000 million	(109.4%)
(3) Ordinary income:	¥ 44,000 million	(113.8%)
(4) Net income:	¥ 7,000 million	(-)
(5) Net income per share:	¥ 2.56	

4. Other Information

(1) Significant changes in scope of consolidation

Not applicable.

(2) Changes in accounting policy

(i) Changes due to revision or application of accounting standard

Changes in accounting policy were made for the six months ended September 30, 2007.

(ii) Other changes

Not applicable.

(3) Number of shares in issue

Note 1. Number of shares in issue including common stock in treasury at end of the period:

September 30, 2007	2,732,383,250
September 30, 2006	2,732,383,250
March 31, 2007	2,732,383,250

Note 2. Number of shares of common stock in treasury at end of the period:

September 30, 2007	2,954,734
September 30, 2006	2,820,440
March 31, 2007	2,934,602

Non-Consolidated Financial Highlights (Reference Information)

(Amounts of less than one million yen have been omitted.)

1. Non-Consolidated Operating Results

(Millions of yen except for per share information)

(1) Operating revenues:	FH07	¥	7,570	(-52.4%)
	FH06	¥	15,920	(1.2%)
	FY06	¥	21,808	
(2) Operating income:	FH07	¥	198	(-97.7%)
	FH06	¥	8,562	(1.6%)
	FY06	¥	8,594	
(3) Ordinary income:	FH07	¥	262	(-96.9%)
	FH06	¥	8,506	(1.4%)
	FY06	¥	8,573	
(4) Net income:	FH07	¥	190	(-97.7%)
	FH06	¥	8,392	(2.8%)
	FY06	¥	8,742	
(5) Net income per share:	FH07	¥	0.07	
	FH06	¥	3.66	
	FY06	¥	3.50	

2. Non-Consolidated Financial Position

(Millions of yen except for per share information)

(1) Total assets:	FH07	¥	973,641	
	FH06	¥	1,015,926	
	FY06	¥	927,700	
(2) Net assets:	FH07	¥	294,076	
	FH06	¥	293,493	
	FY06	¥	293,953	
(3) Net assets ratio:	FH07		30.2%	
	FH06		28.9%	
	FY06		31.7%	
(4) Net assets per share:	FH07	¥	107.73	
	FH06	¥	107.50	
	FY06	¥	107.67	

Note 1. Net assets excluding share subscription rights:

September 30, 2007	¥	294,076
September 30, 2006	¥	293,493
March 31, 2007	¥	293,953

Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

Japan Airlines Corporation owns 247 subsidiaries and currently consolidates 143 subsidiaries, including the following principal subsidiaries:

JAPAN AIRLINES INTERNATIONAL CO., LTD.
JAPAN ASIA AIRWAYS CO., LTD.
JAPAN TRANS OCEAN AIR CO., LTD.
JALWAYS CO., LTD.
JAL EXPRESS CO., LTD.
JAPAN AIR COMMUTER CO., LTD.
AGP CORPORATION
JALPAK CO., LTD.
JAL TOURS CO., LTD.
JAL HOTELS COMPANY LTD.

The number of unconsolidated subsidiaries is currently 104 and the number of affiliates is currently 85, including 19 companies which are accounted for by the equity method.

Changes in the scope of consolidation and adoption of the equity method are summarized as follows:

Consolidation:

Increase - 1 CHUBU SKY SUPPORT CO., LTD. (*1)
(*1) Became material and the shares in the above company were purchased

Equity method:

Decrease - 1 JAMCO CORPORATION (*2)
(*2) The shares in the above company were sold

(2) - I**Japan Airlines Corporation and Consolidated Subsidiaries****Comparative Consolidated Balance Sheets***At March 31, 2007, September 30, 2007 and September 30, 2006*

	March 31, 2007	September 30, 2007	Change	September 30, 2006
	<i>(Millions of yen)</i>			
Assets				
I. Current assets:				
Cash and time deposits	¥ 198,933	¥ 226,591	¥ 27,658	¥ 295,188
Notes and accounts receivable – trade	262,564	283,001	20,436	283,118
Short-term investments in securities	13,234	12,791	(443)	8,000
Supplies	82,881	89,191	6,310	85,821
Deferred income taxes	2,549	2,273	(275)	2,503
Other current assets	150,156	115,370	(34,786)	162,160
Allowance for bad debts	(3,008)	(2,561)	447	(2,947)
Total current assets	<u>707,311</u>	<u>726,658</u>	<u>19,347</u>	<u>833,846</u>
II. Fixed assets:				
Tangible fixed assets:				
Buildings and structures	174,019	167,072	(6,946)	190,746
Machinery, equipment and vehicles	31,532	33,943	2,410	31,140
Flight equipment	742,545	729,824	(12,721)	770,618
Land	42,773	42,103	(670)	53,505
Construction in progress	105,418	116,033	10,615	71,927
Other tangible fixed assets	20,101	19,025	(1,076)	20,252
Total tangible fixed assets	<u>1,116,391</u>	<u>1,108,003</u>	<u>(8,388)</u>	<u>1,138,191</u>
Intangible fixed assets:				
Software	75,440	76,817	1,377	71,547
Other intangible fixed assets	1,566	1,283	(283)	1,658
Total intangible fixed assets	<u>77,007</u>	<u>78,100</u>	<u>1,093</u>	<u>73,205</u>
Investments:				
Investments in securities	66,561	66,213	(347)	78,071
Long-term loans receivable	13,580	12,956	(623)	14,221
Deferred income taxes	7,751	7,090	(660)	44,114
Other investments	104,344	99,298	(5,045)	81,192
Allowance for bad debts	(2,382)	(2,387)	(4)	(2,366)
Total investments	<u>189,853</u>	<u>183,171</u>	<u>(6,682)</u>	<u>215,233</u>
Total fixed assets	<u>1,383,253</u>	<u>1,369,275</u>	<u>(13,977)</u>	<u>1,426,629</u>
III. Deferred charges:				
Stock issuance expenses	669	520	(148)	825
Bond issuance expenses	–	–	–	3
Total deferred charges	<u>669</u>	<u>520</u>	<u>(148)</u>	<u>828</u>
Total assets	<u>¥2,091,233</u>	<u>¥2,096,455</u>	<u>¥ 5,221</u>	<u>¥2,261,305</u>

	March 31, 2007	September 30, 2007	Change	September 30, 2006
	<i>(Millions of yen)</i>			
Liabilities				
I. Current liabilities:				
Accounts payable – trade	¥ 263,885	¥ 278,414	¥ 14,528	¥ 265,330
Short-term borrowings	4,810	2,559	(2,251)	5,069
Current portion of bonds	70,000	38,000	(32,000)	80,000
Current portion of long-term loans	110,549	117,491	6,941	109,351
Accrued income taxes	5,172	17,005	11,833	6,582
Reserve for loss on antitrust litigation	–	11,543	11,543	–
Deferred income taxes	16,585	12,129	(4,456)	10,080
Other current liabilities	188,792	211,934	23,141	205,380
Total current liabilities	659,796	689,076	29,280	681,796
II. Non-current liabilities:				
Bonds	130,229	112,229	(18,000)	230,000
Long-term loans	705,957	703,892	(2,064)	744,675
Accrued pension and severance costs	129,061	129,627	565	132,821
Deferred income taxes	9,012	10,334	1,322	937
Other non-current liabilities	125,303	116,714	(8,589)	111,043
Total non-current liabilities	1,099,563	1,072,797	(26,766)	1,219,477
Total liabilities	1,759,360	1,761,874	2,513	1,901,273
Net assets				
I. Stockholders' equity:				
Common stock	174,250	174,250	–	174,250
Capital surplus	79,096	79,089	(6)	79,105
Retained earnings	24,776	32,016	7,239	43,228
Common stock in treasury, at cost	(887)	(872)	14	(871)
Total stockholders' equity	277,235	284,484	7,248	295,712
II. Valuation, translation and other:				
Net unrealized gain on investments in securities, net of taxes	3,557	5,483	1,925	3,541
Net unrealized gain on hedging instruments, net of taxes	35,314	26,808	(8,506)	40,244
Translation adjustments	(5,020)	(2,823)	2,196	(5,950)
Total valuation, translation and other	33,851	29,467	(4,384)	37,834
III. Minority interests	20,785	20,629	(156)	26,484
Total net assets	331,873	334,581	2,707	360,031
Total liabilities and net assets	¥2,091,233	¥2,096,455	¥ 5,221	¥2,261,305

(2) - II**Japan Airlines Corporation and Consolidated Subsidiaries****Comparative Consolidated Statements of Operations**

*For the six months ended September 30, 2006 and 2007
and the year ended March 31, 2007*

	Six months ended September 30, 2006	Six months ended September 30, 2007	Change	Year ended March 31, 2007
	<i>(Millions of yen)</i>			
Operating revenues	¥1,150,002	¥1,142,933	¥ (7,069)	¥2,301,915
Cost of operating revenues	947,530	902,868	(44,661)	1,885,211
Gross profit	202,471	240,064	37,592	416,703
Selling, general and administrative expenses	194,311	183,412	(10,899)	393,785
Operating income	8,160	56,652	48,492	22,917
Non-operating income:				
Interest income	1,397	2,526	1,129	3,471
Dividend income	1,017	1,515	497	2,470
Equity in earnings of affiliates	1,030	1,442	412	2,481
Exchange gain, net	7,621	10,327	2,705	18,036
Other non-operating income	3,289	3,923	634	7,374
Total non-operating income	14,356	19,736	5,379	33,834
Non-operating expenses:				
Interest expense	9,614	10,034	419	19,068
Loss on sales and disposal of flight equipment	5,153	5,507	354	12,257
Other non-operating expenses	2,412	2,123	(289)	4,849
Total non-operating expenses	17,181	17,665	483	36,175
Ordinary income	5,335	58,723	53,387	20,576
Extraordinary profit:				
Gain on sales of fixed assets	1,365	—	(1,365)	8,822
Gain on sales of investments in securities	9,046	5,568	(3,477)	34,338
Gain recognized upon separation of substitutional portion of benefit obligation of welfare pension fund plan	1,519	—	(1,519)	—
Gain on sale of a partnership	—	1,429	1,429	—
Other extraordinary profit	834	1,192	358	9,251
Total extraordinary profit	12,766	8,191	(4,575)	52,413
Extraordinary loss:				
Loss on sales and disposal of fixed assets	1,186	—	(1,186)	3,546
Special termination benefits	1,764	12,403	10,638	8,517
Loss on partial termination of defined benefit plan	2,199	—	(2,199)	2,291
Loss on impairment of fixed assets	—	9,396	9,396	2,600
Provision of reserve for loss on antitrust litigation	—	11,543	11,543	—
Other extraordinary loss	573	7,218	6,644	3,976
Total extraordinary loss	5,724	40,560	34,835	20,933
Income before income taxes and minority interests	12,376	26,353	13,976	52,055
Income taxes – current	5,865	16,177	10,311	9,953
Income taxes – deferred	3,356	2,349	(1,007)	54,424
Minority interests	(1,644)	(518)	1,125	(3,945)
Net income (loss)	¥ 1,510	¥ 7,309	¥ 5,798	¥ (16,267)

(2) - III

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

For the six months ended September 30, 2006

	Stockholders' equity					
	Common stock	Capital surplus	Retained earnings (accumulated deficit)	Common stock in treasury, at cost	Total stockholders' equity	
	(Millions of yen)					
Balance at March 31, 2006	¥100,000	¥ 136,145	¥ (90,186)	¥(892)	¥145,065	
Changes during the six months ended September 30, 2006:						
Transfer from capital surplus to accumulated deficit in accordance with a resolution approving elimination of deficit		(131,274)	131,274		—	
Issuance of common stock	74,250	74,250			148,500	
Net income for the six months ended September 30, 2006			1,510		1,510	
Purchases of common stock in treasury				(63)	(63)	
Sales of common stock in treasury		(14)		85	70	
Changes in scope of consolidation and application of equity method			656		656	
Bonuses to directors and statutory auditors			(26)		(26)	
Changes other than stockholders' equity, net						
Total changes	74,250	(57,039)	133,414	21	150,646	
Balance at September 30, 2006	¥174,250	¥ 79,105	¥ 43,228	¥(871)	¥295,712	
	Valuation, translation and other					
	Net unrealized gain on investments in securities, net of taxes	Net unrealized gain on hedging instruments, net of taxes	Translation adjustments	Total valuation, translation and other	Minority interests	Total net assets
	(Millions of yen)					
Balance at March 31, 2006	¥ 8,777	¥ —	¥(5,776)	¥ 3,000	¥27,449	¥175,515
Changes during the six months ended September 30, 2006:						
Transfer from capital surplus to accumulated deficit in accordance with a resolution approving elimination of deficit						—
Issuance of common stock						148,500
Net income for the six months ended September 30, 2006						1,510
Purchases of common stock in treasury						(63)
Sales of common stock in treasury						70
Changes in scope of consolidation and application of equity method						656
Bonuses to directors and statutory auditors						(26)
Changes other than stockholders' equity, net	(5,236)	40,244	(173)	34,834	(965)	33,869
Total changes	(5,236)	40,244	(173)	34,834	(965)	184,515
Balance at September 30, 2006	¥ 3,541	¥40,244	¥(5,950)	¥37,834	¥26,484	¥360,031

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

For the six months ended September 30, 2007

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total stockholders' equity
	<i>(Millions of yen)</i>				
Balance at March 31, 2007	¥174,250	¥79,096	¥24,776	¥(887)	¥277,235
Changes during the six months ended September 30, 2007:					
Net income for the six months ended September 30, 2007			7,309		7,309
Changes in scope of application of the equity method			(69)	13	(55)
Changes in ownership interests in affiliates accounted for by the equity method				44	44
Purchases of common stock in treasury				(84)	(84)
Sales of common stock in treasury		(6)		41	34
Changes other than stockholders' equity, net					
Total changes	—	(6)	7,239	14	7,248
Balance at September 30, 2007	¥174,250	¥79,089	¥32,016	¥(872)	¥284,484

	Valuation, translation and other				
	Net unrealized gain on investments in securities, net of taxes	Net unrealized gain on hedging instruments, net of taxes	Translation adjustments	Total valuation, translation and other	Minority interests
	<i>(Millions of yen)</i>				
Balance at March 31, 2007	¥3,557	¥35,314	¥(5,020)	¥33,851	¥20,785
Changes during the six months ended September 30, 2007:					
Net income for the six months ended September 30, 2007					7,309
Changes in scope of application of the equity method					(55)
Changes in ownership interests in affiliates accounted for by the equity method					44
Purchases of common stock in treasury					(84)
Sales of common stock in treasury					34
Changes other than stockholders' equity, net	1,925	(8,506)	2,196	(4,384)	(156)
Total changes	1,925	(8,506)	2,196	(4,384)	2,707
Balance at September 30, 2007	¥5,483	¥26,808	¥(2,823)	¥29,467	¥20,629

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

For the year ended March 31, 2007

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings (accumulated deficit)	Common stock in treasury, at cost	Total stockholders' equity
	<i>(Millions of yen)</i>				
Balance at March 31, 2006	¥100,000	¥ 136,145	¥ (90,186)	¥(892)	¥145,065
Changes during the year ended March 31, 2007:					
Issuance of common stock	74,250	74,250			148,500
Transfer from capital surplus to accumulated deficit in accordance with a resolution approving elimination of deficit		(131,274)	131,274		—
Bonuses to directors and statutory auditors			(26)		(26)
Net loss for the year ended March 31, 2007			(16,267)		(16,267)
Purchases of common stock in treasury				(131)	(131)
Sales of common stock in treasury		(24)		129	105
Changes in scope of consolidation and application of equity method			(17)	8	(9)
Changes other than stockholders' equity, net					
Total changes	74,250	(57,048)	114,962	5	132,169
Balance at March 31, 2007	¥174,250	¥ 79,096	¥ 24,776	¥(887)	¥277,235
	Valuation, translation and other				
	Net unrealized gain on investments in securities, net of taxes	Net unrealized gain on hedging instruments, net of taxes	Translation adjustments	Total valuation, translation and other	Minority interests
	<i>(Millions of yen)</i>				
Balance at March 31, 2006	¥ 8,777	¥ —	¥(5,776)	¥ 3,000	¥27,449
Changes during the year ended March 31, 2007:					
Issuance of common stock					148,500
Transfer from capital surplus to accumulated deficit in accordance with a resolution approving elimination of deficit					—
Bonuses to directors and statutory auditors					(26)
Net loss for the year ended March 31, 2007					(16,267)
Purchases of common stock in treasury					(131)
Sales of common stock in treasury					105
Changes in scope of consolidation and application of equity method					(9)
Changes other than stockholders' equity, net	(5,219)	35,314	756	30,851	(6,664)
Total changes	(5,219)	35,314	756	30,851	156,357
Balance at March 31, 2007	¥ 3,557	¥35,314	¥(5,020)	¥33,851	¥20,785
					¥331,873

(2) - IV**Japan Airlines Corporation and Consolidated Subsidiaries****Comparative Consolidated Statements of Cash Flows**

*For the six months ended September 30, 2006 and 2007
and the year ended March 31, 2007*

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
		<i>(Millions of yen)</i>	
Operating activities			
Income before income taxes and minority interests	¥ 12,376	¥ 26,353	¥ 52,055
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	58,973	58,106	117,561
Gain and loss on sales of, and loss on revaluation of, short-term investments in securities and investments in securities, net	(8,934)	(5,408)	(34,028)
Loss on sales of, and loss on disposal of, fixed assets and loss on impairment of fixed assets, net	4,639	15,112	8,459
Net provision for accrued pension and severance costs	(7,071)	559	(10,308)
Interest and dividend income	(2,414)	(4,041)	(5,941)
Interest expense	9,614	10,034	19,068
Exchange (gain) loss, net	(173)	(702)	166
Equity in earnings of affiliates	(1,030)	(1,442)	(2,481)
Increase in notes and accounts receivable – trade	(45,561)	(19,909)	(32,437)
Increase in supplies	(2,182)	(6,292)	813
Increase in accounts payable – trade	27,711	13,762	33,592
Other	35,172	31,495	486
Subtotal	81,119	117,625	147,005
Interest and dividends received	2,484	4,294	6,982
Interest paid	(9,401)	(9,287)	(19,154)
Income taxes paid	(1,655)	(3,489)	(7,085)
Net cash provided by operating activities	72,546	109,143	127,748
Investing activities			
Purchases of time deposits	(5,200)	(887)	(8,751)
Proceeds from maturity of time deposits	160	7,668	1,121
Purchases of fixed assets	(66,032)	(86,195)	(153,251)
Proceeds from sales of fixed assets	24,769	39,333	54,697
Purchases of short-term investments in securities	–	–	(11,759)
Proceeds from sales and maturity of short-term investments in securities	–	–	6,039
Purchases of investments in securities	(5,553)	(1,864)	(5,126)
Proceeds from sales and maturity of investments in securities	10,271	13,130	43,146
(Payments for) proceeds from sales of consolidated subsidiaries resulting in change in scope of consolidation	(1,564)	–	9,552
Loans receivable made	(785)	(772)	(2,051)
Collection of loans receivable	3,558	2,003	4,799
Proceeds from business transfer of a subsidiary	–	–	4,944
Other	(1,706)	198	423
Net cash used in investing activities	(42,081)	(27,386)	(56,216)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	<i>(Millions of yen)</i>		
Financing activities			
(Decrease) increase in short-term borrowings, net	¥ (1,535)	¥ (2,246)	¥ 2,556
Proceeds from long-term loans	1,102	61,080	22,122
Repayment of long-term loans	(58,681)	(56,812)	(112,815)
Proceeds from issuance of common stock	147,990	—	147,607
Redemption of bonds	—	(50,000)	(109,771)
Dividends paid to stockholders	(9)	(3)	(18)
Dividends paid to minority interests	(546)	(260)	(584)
Other	(971)	(1,044)	(2,106)
Net cash provided by (used in) financing activities	87,347	(49,288)	(53,007)
Effect of exchange rate changes on cash and cash equivalents	233	1,307	414
Net increase in cash and cash equivalents	118,045	33,775	18,937
Cash and cash equivalents at beginning of period	172,132	191,381	172,132
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	310	—	310
Cash and cash equivalents at end of period	¥290,488	¥225,156	¥ 191,381
Reconciliation between cash and time deposits and cash and cash equivalents			
Cash and time deposits	¥295,188	¥226,591	¥ 198,933
Time deposits with original maturity of more than three months	(6,737)	(2,621)	(9,329)
Marketable securities with original maturity of three months or less	2,101	1,186	1,777
Current account overdraft included in short-term borrowings	(63)	—	—
Cash and cash equivalents at end of period	¥290,488	¥225,156	¥ 191,381

Japan Airlines Corporation and Consolidated Subsidiaries

Notes to Consolidated Interim Financial Statements

September 30, 2006 and 2007 and March 31, 2007

1. Summary of Significant Accounting Policies

a. Basis of presentation

Japan Airlines Corporation (the “Company”) and its consolidated domestic subsidiaries maintain their accounting records and prepare their interim financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and its consolidated foreign subsidiaries, in conformity with those of their countries of domicile. The accompanying consolidated interim financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Japan.

Amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated interim financial statements do not necessarily agree with the sum of the individual amounts.

b. Principles of consolidation and accounting for investments in affiliates

The consolidated interim financial statements include the accounts of the Company and all significant subsidiaries controlled directly or indirectly by the Company. All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions have been eliminated.

The balance sheet date of 24 of the consolidated subsidiaries is June 30, 2007, and for 1 consolidated subsidiary, it is August 31, 2007. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from July 1, 2007 through September 30, 2007 and the period from September 1, 2007 through September 30, 2007 have been adjusted, if necessary.

Investments in significant affiliates are accounted for by the equity method.

The assets and liabilities of newly consolidated subsidiaries are stated at fair value as of their respective acquisition dates. The differences between the cost and the fair value of net equity in the net assets at the dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are amortized by the straight-line method over a period of 5 years.

1. Summary of Significant Accounting Policies (continued)

c. Cash equivalents

Cash equivalents are defined as highly liquid, short-term investments with an original maturity of 3 months or less.

d. Inventories

Inventories are principally stated at cost based on the moving average method.

e. Securities

Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of net assets, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

f. Derivatives

Derivatives positions are stated at fair value.

g. Tangible and intangible fixed assets

Tangible fixed assets

Aircraft, spare engines and spare parts	– The straight-line method or the declining-balance method based on their estimated useful lives
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Japan Airlines International Co., Ltd. (“JALI,” which is a consolidated subsidiary of the Company) has adopted new estimated useful lives for certain aircraft, resulting from a review of the useful lives and residual value of aircraft for which sales contracts are certain to be entered into. As a result of the adoption of these new useful lives, income before income taxes and minority interests decreased by ¥2,024 million for the six months ended September 30, 2007 from the amount which would have been recorded under the previous method.

Other tangible fixed assets:

Japan Airlines International Co., Ltd.	– The straight-line method based on their estimated useful lives
Other companies	– Principally the declining-balance method based on their estimated useful lives

1. Summary of Significant Accounting Policies (continued)

g. Tangible and intangible fixed assets (continued)

Changes in Accounting Policy

Effective April 1, 2007, the Company and most domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or after April 1, 2007. The impact on operating income, ordinary income and income before income taxes and minority interests was immaterial for the six months ended September 30, 2007.

Effective April 1, 2007, the Company and most domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of 5 years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007. The impact on operating income, ordinary income and income before income taxes and minority interests was immaterial.

Intangible fixed assets	– The straight-line method based on their estimated useful lives
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h. Deferred charges

Stock issuance expenses are capitalized and are being amortized over a period of 3 years.

i. Accrued pension and severance costs

To provide for employees' severance indemnities, net periodic pension cost is accounted for based on the projected benefit obligation and the plan assets.

The unrecognized obligation at transition is being amortized by the straight-line method principally over a period of 15 years. However, JALI introduced a revised pension scheme under which employees have the option to change a portion of their existing lump-sum payment of retirement benefits to a defined contribution plan or to an early payment scheme on October 1, 2005. The portion of the unrecognized obligation at transition which relates to reducing the benefit obligation by the introduction of the option referred to above is being amortized by the straight-line method over a period of 8 years in accordance with Paragraph 15, "Transitional Arrangement," of "Accounting for the Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan Implementation Guidance No. 1). The adjustment for actuarial assumptions is being amortized by the straight-line method over a period ranging from 5 to 15 years, which is less than the average remaining years of service of the active participants in the plans. Amortization is computed from the fiscal year subsequent to the year in which the adjustment was recorded. Past service cost is principally charged to income as incurred. However, at certain subsidiaries, past service cost is being amortized by the straight-line method over a period which is less than the average remaining years of service of the active participants in the plans.

1. Summary of Significant Accounting Policies (continued)

i. Accrued pension and severance costs (continued)

On March 15, 2007, JALI received approval from the Minister of Health, Labour and Welfare with respect to its application for exemption from the benefit obligation related to future employee services under the substitutional portion of the Welfare Pension Fund Plan (WFPF). At September 30, 2007, the estimated amount of pension assets to be transferred was ¥69,566 million. The potential effect for the six months ended September 30, 2007, estimated as if the transfer of pension assets had been made as of the same date, in accordance with paragraph 44-2 of “Practical Guidelines on Retirement Benefit Accounting (Interim Report),” Report No. 13 of the Accounting System Committee of the Japanese Institute of Certified Public Accountants, would have been to increase extraordinary loss by ¥1,452 million.

On April 10, 2007, Airport Ground Service Pension Fund consisting of JAL Ground Service Co., Ltd. and JAL Ground Service Kansai Co., Ltd. received approval from the Minister of Health, Labour and Welfare with respect to its application for exemption from the benefit obligation related to future employee services under the substitutional portion of the WFPF. As a result, operating income, ordinary income and income before income taxes and minority interests increased by ¥50 million for the six months ended September 30, 2007. At September 30, 2007, the estimated amount of pension assets to be transferred was ¥15,798 million. The potential effect for the six months ended September 30, 2007, estimated as if the transfer of pension assets had been made as of the same date, in accordance with paragraph 44-2 of “Practical Guidelines on Retirement Benefit Accounting (Interim Report),” Report No. 13 of the Accounting System Committee of the Japanese Institute of Certified Public Accountants, would have been to increase extraordinary profit by ¥8,525 million.

A certain consolidated subsidiary changed their method of accounting for the projected benefit obligation from simplified methods to the standard method. As a result, an extraordinary loss of ¥370 million was recorded as the resulting difference in computation for the six months ended September 30, 2007.

j. Allowance for bad debts

The allowance for bad debts on certain receivables is provided at the estimated unrecoverable amount. The allowance for bad debts on other receivables is provided based on the historical rate of losses on receivables.

1. Summary of Significant Accounting Policies (continued)

k. Reserve for loss on antitrust litigation

JALI is alleged to have been involved in anti-competitive practices such as price-fixing and collusion with several international cargo operators and its cargo operation office in Frankfurt was investigated by the European Union antitrust authorities on February 14, 2006. On the same date, the U.S. Department of Justice inspected JALI's cargo operation office in New York. In relation to the investigation of alleged anti-competitive practices, certain air cargo customers have filed several class action lawsuits in the U.S. against international cargo operators including JALI claiming that alleged price-fixing practices have damaged their interests and such practices should be enjoined. The plaintiffs are seeking unspecified treble damages, unspecified injunctive relief, and costs and attorneys' fees, however, no specific amounts of damages or compensation have been claimed in these class action proceedings. In Canada and Australia, several class action lawsuits have been filed.

Investigations by the authorities of a number of jurisdictions, which include, but may not be limited to, the European Union, the United States, Canada, Switzerland and Australia, are still ongoing. The reserve for loss on antitrust litigation is provided at the estimated amount of contingent losses which are expected to be incurred as a result of the outcome of the U.S. criminal investigation. However, the estimated amount may change as the lawsuits progress.

l. Foreign currency accounts

Foreign currency receivables and payables are translated into yen at the applicable exchange rates in effect at the end of the period and any gain or loss on translation is included in current earnings.

Translation adjustments arising from the translation of assets, liabilities, revenues and expenses of the consolidated subsidiaries and affiliates accounted for by the equity method into yen at the applicable exchange rates at the end of the period are presented in minority interests and as a separate component of net assets.

m. Leases

As lessee

The Company and consolidated subsidiaries lease certain equipment under noncancelable lease agreements referred to as capital leases. Capital leases, defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases.

As lessor

Certain consolidated subsidiaries lease certain equipment under noncancelable lease agreements referred to as direct financing leases. Direct financing leases, defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases.

1. Summary of Significant Accounting Policies (continued)

n. Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged item is recognized.

Foreign currency receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met.

The related interest differential paid or received on interest-rate swaps used as hedging instruments is recognized over the term of each swap agreement as an adjustment to the interest expense of the underlying hedged items if certain conditions are met.

o. Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

p. Income taxes

The Company and certain domestic subsidiaries have adopted the Japanese consolidated corporate tax return system.

2. Other Information

- a. Accumulated depreciation at September 30, 2006, September 30, 2007 and March 31, 2007 amounted to ¥1,558,027 million, ¥1,451,906 million and ¥1,497,366 million, respectively.
- b. At September 30, 2006, September 30, 2007 and March 31, 2007, contingent liabilities for guarantees amounted to ¥16,186 million, ¥4,894 million and ¥5,187 million, respectively. In addition, at September 30, 2006, September 30, 2007 and March 31, 2007, contingent liabilities for commitments to guarantees, keep-well agreements and other amounted to ¥579 million, ¥432 million and ¥507 million, respectively.

JALI is alleged to have been involved in anti-competitive practices such as price-fixing and collusion with several international cargo operators and its cargo operation office in Frankfurt was investigated by the European Union antitrust authorities on February 14, 2006. On the same date, the U.S. Department of Justice inspected JALI's cargo operation office in New York. In relation to the investigation of alleged anti-competitive practices, certain air cargo customers have filed several class action lawsuits in the U.S. against international cargo operators including JALI claiming that alleged price-fixing practices have damaged their interests and such practices should be enjoined. The plaintiffs are seeking unspecified treble damages, unspecified injunctive relief, and costs and attorneys' fees, however, no specific amounts of damages or compensation have been claimed in these class action proceedings. In Canada and Australia, several class action lawsuits have been filed. Management of the Company holds the view that investigations and class action lawsuits on alleged anti-competitive practices could have a material impact on the results of operations of the Company and the group and the reserve for loss on antitrust litigation is provided at the estimated amount of contingent losses as a result of the outcome of the U.S. criminal investigation case. In other cases, however, management is unable to estimate the possible outcomes of the ongoing investigations and class action lawsuits reasonably at this stage since investigations by the authorities of a number of jurisdictions, which include, but may not be limited to, the European Union, the United States, Canada, Switzerland and Australia, are still ongoing.

- c. At September 30, 2006, September 30, 2007 and March 31, 2007, assets pledged as collateral amounted to ¥799,439 million, ¥850,811 million and ¥847,378 million, respectively. Furthermore, shares of certain consolidated subsidiaries were pledged as collateral at September 30, 2006, September 30, 2007 and March 31, 2007. In addition, at September 30, 2006, September 30, 2007 and March 31, 2007, collateralized indebtedness amounted to ¥460,937 million, ¥460,587 million and ¥428,493 million, respectively.

In addition, future rental expenses under operating leases with collateral amounted to ¥9,269 million and ¥7,592 million at September 30, 2007 and March 31, 2007, respectively.

2. Other Information (continued)

d. Note to consolidated statements of changes in net assets

The number of shares of stock in issue and common stock in treasury were as follows:

Six months ended September 30, 2006				
	At March 31, 2006	Increase	Decrease	At September 30, 2006
		<i>(Thousands of shares)</i>		
Number of shares of stock in issue:				
Common stock	1,982,383	750,000	—	2,732,383
Number of shares of common stock in treasury:				
Common stock	2,863	243	286	2,820

The number of shares of common stock in issue increased by 700,000 thousand shares because of a public offering and by 50,000 thousand shares because of an allocation of shares of common stock to a third party.

The increase in common stock in treasury of 243 thousand shares during the current period resulted from the Company's purchase of 241 thousand odd-lot shares of less than one unit at the request of the stockholders and purchases of the equivalent of 1 thousand shares by affiliates accounted for by the equity method. The decrease in shares of common stock in treasury during the current period resulted from sales of such odd-lot shares at the request of the stockholders.

Six months ended September 30, 2007				
	At March 31, 2007	Increase	Decrease	At September 30, 2007
		<i>(Thousands of shares)</i>		
Number of shares of stock in issue:				
Common stock	2,732,383	—	—	2,732,383
Number of shares of common stock in treasury:				
Common stock	2,934	355	335	2,954

2. Other Information (continued)

d. Note to consolidated statement of changes in net assets (continued)

The increase in common stock in treasury of 355 thousand shares during the current period resulted from the Company's purchase of 355 thousand odd-lot shares of less than one unit at the request of the stockholders. The decrease in common stock in treasury of 335 thousand shares during the current period resulted from the Company's sales of 147 thousand odd-lot shares of less than one unit at the request of the stockholders, decrease of the equivalent of 52 thousand shares arising from changes in the scope of application of the equity method and a decrease of the equivalent of 135 thousand shares arising from a decrease in ownership interests in affiliates accounted for by the equity method.

	Year ended March 31, 2007			At March 31, 2007
	At March 31, 2006	Increase	Decrease	
		<i>(Thousands of shares)</i>		
Number of shares of stock in issue:				
Common stock	1,982,383	750,000	—	2,732,383
Number of shares of common stock in treasury:				
Common stock	2,863	534	464	2,934

The number of shares of common stock in issue increased by 700,000 thousand shares because of a public offering and by 50,000 thousand shares because of an allocation of shares of common stock to a third party.

The increase in common stock in treasury of 534 thousand shares during the current year resulted from the Company's purchase of 531 thousand odd-lot shares of less than one unit at the request of the stockholders, purchases of the equivalent of 3 thousand shares by affiliates accounted for by the equity method and an increase of the equivalent of 0 thousand shares arising from an increase in ownership interests in affiliates accounted for by the equity method. The decrease in common stock in treasury of 464 thousand shares during the current year resulted from the Company's sales of 438 thousand odd-lot shares of less than one unit at the request of the stockholders and a decrease of the equivalent of 25 thousand shares arising from changes in the scope of application of the equity method.

3. Fair Value of Securities

The components of unrealized gain or loss on marketable securities classified as other securities at September 30, 2006, September 30, 2007 and March 31, 2007 are summarized as follows:

September 30, 2006			
	Acquisition costs	Carrying value	Net unrealized gain (loss)
	<i>(Millions of yen)</i>		
Stocks	¥13,083	¥18,780	¥5,697
Bonds	117	108	(8)
Other	5,711	5,715	4
	<u>¥18,912</u>	<u>¥24,604</u>	<u>¥5,692</u>

September 30, 2007			
	Acquisition costs	Carrying value	Net unrealized gain (loss)
	<i>(Millions of yen)</i>		
Stocks	¥9,633	¥18,963	¥9,330
Bonds	1,496	1,496	0
Other	10,130	9,846	(283)
	<u>¥21,259</u>	<u>¥30,306</u>	<u>¥9,046</u>

March 31, 2007			
	Acquisition costs	Carrying value	Net unrealized gain (loss)
	<i>(Millions of yen)</i>		
Stocks	¥10,344	¥16,161	¥5,817
Bonds	1,492	1,491	(0)
Other	9,883	9,739	(144)
	<u>¥21,720</u>	<u>¥27,392</u>	<u>¥5,672</u>

Non-marketable securities classified as other securities at September 30, 2006, September 30, 2007 and March 31, 2007 amounted to ¥30,272 million, ¥18,984 million and ¥19,536 million, respectively.

4. Leases

As lessee

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of September 30, 2006, September 30, 2007 and March 31, 2007 and the related depreciation and interest expense for the six months ended September 30, 2006 and 2007 and the year ended March 31, 2007, which would have been reflected in the consolidated balance sheets and the related consolidated statements of operations if capital lease accounting had been applied to the capital leases currently accounted for as operating leases:

September 30, 2006			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥596,553	¥17,431	¥613,985
Less accumulated depreciation	206,232	9,730	215,962
Net book value	<u>¥390,321</u>	<u>¥ 7,700</u>	<u>¥398,022</u>
September 30, 2007			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥610,586	¥19,600	¥630,187
Less accumulated depreciation	258,727	12,109	270,837
Net book value	<u>¥351,858</u>	<u>¥ 7,490</u>	<u>¥359,349</u>
March 31, 2007			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥605,522	¥18,174	¥623,696
Less accumulated depreciation	232,148	10,869	243,017
Net book value	<u>¥373,374</u>	<u>¥ 7,305</u>	<u>¥380,679</u>

4. Leases (continued)

As lessee (continued)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	<i>(Millions of yen)</i>		
Depreciation expense	¥26,781	¥28,459	¥54,821
Interest expense	¥ 2,527	¥ 2,506	¥ 5,090

No impairment loss has been recognized on the leased property for the six months ended September 30, 2006 and 2007 and for the year ended March 31, 2007.

Lease expenses relating to capital leases accounted for as operating leases amounted to ¥28,902 million and ¥30,773 million for the six months ended September 30, 2006 and 2007, respectively, and ¥59,180 million for the year ended March 31, 2007.

The present value of future rental expenses under capital leases accounted for as operating leases outstanding at September 30, 2006, September 30, 2007 and March 31, 2007 is summarized as follows:

	September 30, 2006	September 30, 2007	March 31, 2007
	<i>(Millions of yen)</i>		
Within 1 year	¥ 54,786	¥ 55,331	¥ 55,427
Over 1 year	350,735	312,126	333,176
	¥405,521	¥367,457	¥388,603

Future rental expenses under operating leases outstanding at September 30, 2006 and September 30, 2007 and March 31, 2007 are summarized as follows:

	September 30, 2006	September 30, 2007	March 31, 2007
	<i>(Millions of yen)</i>		
Within 1 year	¥ 29,402	¥ 34,041	¥ 30,218
Over 1 year	193,928	225,642	186,673
	¥223,330	¥259,683	¥216,892

4. Leases (continued)

As lessor

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of September 30, 2006, September 30, 2007 and March 31, 2007 and the related depreciation expense and interest revenue for the six months ended September 30, 2006 and 2007 and the year ended March 31, 2007, which are reflected in the consolidated balance sheets and the related consolidated statements of operations:

	September 30, 2006		
	<i>(Millions of yen)</i>		
Acquisition costs	¥879		
Less accumulated depreciation	497		
Net book value	¥381		
	September 30, 2007		
	<i>(Millions of yen)</i>		
Acquisition costs	¥877		
Less accumulated depreciation	485		
Net book value	¥392		
	March 31, 2007		
	<i>(Millions of yen)</i>		
Acquisition costs	¥779		
Less accumulated depreciation	411		
Net book value	¥368		
	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	<i>(Millions of yen)</i>		
Depreciation expense	¥85	¥85	¥166
Interest revenue	¥ 8	¥ 8	¥ 17

No impairment loss has been recognized on the leased property for the six months ended September 30, 2006 and 2007 and for the year ended March 31, 2007.

Lease revenues relating to direct financing leases accounted for as operating leases amounted to ¥94 million and ¥93 million for the six months ended September 30, 2006 and 2007, respectively, and ¥184 million for the year ended March 31, 2007.

4. Leases (continued)

As lessor (continued)

The present value of future rental revenues under direct financing leases accounted for as operating leases outstanding at September 30, 2006, September 30, 2007 and March 31, 2007 is summarized as follows:

	September 30, 2006	September 30, 2007	March 31, 2007
		<i>(Millions of yen)</i>	
Within 1 year	¥140	¥128	¥120
Over 1 year	249	272	254
	¥389	¥401	¥374

5. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries have not recognized material impairment losses for the six months ended September 30, 2006. As a result, the details of impairment losses are not required to be disclosed in accordance with accounting principles generally accepted in Japan.

Certain consolidated subsidiaries recognized impairment losses on the following groups of assets in the accompanying consolidated statement of operations for the six months ended September 30, 2007:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Assets to be sold	Flight equipment, buildings and structures and other	Saipan and other
Golf courses	Land, buildings and structures and other	Asahikawa-shi, Hokkaido and other

Assets are attributed or allocated to the cash generating units which generate largely independent cash flows for calculating impairment losses. Facilities which are expected to be unprofitable and assets to be sold are written down to their recoverable amounts. Consequently, an impairment loss of ¥9,396 million has been recognized as an extraordinary loss in the accompanying consolidated statements of operations for the six months ended September 30, 2007. A breakdown of the total loss on impairment of fixed assets is as follows: ¥5,537 million on buildings and structures, ¥2,568 million on flight equipment, ¥662 million on land and ¥626 million on other.

The Company and its consolidated subsidiaries estimate recoverable amounts as the higher of fair value less costs to sell and value in use. Fair value is based on reasonable estimates made by the Company and its consolidated subsidiaries in accordance with the contract amount of sales and value in use is calculated by discounting estimated future cash flows at the rate of 5.0%.

5. Loss on Impairment of Fixed Assets (continued)

In addition, a certain affiliate accounted for by the equity method has recognized loss on impairment of fixed assets by a method similar to that adopted by the Company and its consolidated subsidiaries. Consequently, a loss on impairment of fixed assets of ¥7 million was recognized as equity in earnings of affiliates for the six months ended September 30, 2007.

Certain consolidated subsidiaries have recognized impairment losses on the following groups of assets in the consolidated statement of operations for the year ended March 31, 2007:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Assets to be sold	Flight equipment	—
Idle assets	Intangible fixed assets	Naha-shi, Okinawa Pref.
Other operational assets	Buildings and other	Obihiro-shi, Hokkaido and other

Assets are attributed or allocated to the cash generating units which generate largely independent cash flows for calculating impairment losses. Facilities which are expected to be unprofitable, assets to be sold and idle assets are written down to their recoverable amounts. Consequently, an impairment loss of ¥2,600 million has been recognized as an extraordinary loss in the accompanying consolidated statement of operations for the year ended March 31, 2007. A breakdown of the total loss on impairment of fixed assets is as follows: ¥2,581 million on flight equipment, ¥10 million on intangible fixed assets and ¥9 million on buildings and other.

The Company and its consolidated subsidiaries estimate recoverable amounts as the higher of fair value less costs to sell and value in use. Fair value is based on reasonable estimates made by the Company and its consolidated subsidiaries in accordance with the contract amount of sales and value in use is calculated by discounting estimated future cash flows at the rate of 4.6%.

In addition, certain affiliates accounted for by the equity method have recognized loss on impairment of fixed assets by a method similar to that adopted by the Company and its consolidated subsidiaries. Consequently, a loss on impairment of fixed assets of ¥188 million was recognized as equity in earnings of affiliates for the year ended March 31, 2007.

6. Derivatives

The contract amounts and the estimated fair value of the open derivatives positions to which hedge accounting are applied are not required to be disclosed in accordance with accounting principles generally accepted in Japan.

All open derivatives positions at September 30, 2006 met the criteria required for the application of hedge accounting.

The contract amounts and the estimated fair value of the open derivatives positions at September 30, 2007 which do not meet the criteria required for the application of hedge accounting are summarized as follows:

September 30, 2007			
	Contract amount	Fair value	Net unrealized loss
	<i>(Millions of yen)</i>		
Currencies:			
Foreign exchange contracts:			
Buy	¥3,515	¥ 3,460	¥ (55)

All derivative transactions presented above were conducted as over-the-counter transactions.

All derivative transactions presented above will be settled within one year.

Fair value is estimated based on prices quoted by financial institutions and others.

The Company has applied for an exemption from disclosure of information on the derivatives qualifying hedge accounting criteria.

All open derivatives positions at March 31, 2007 met the criteria required for the application of hedge accounting.

7. Segment Information

a. Business segment information

The Company and its consolidated subsidiaries conduct worldwide operations in air transportation, travel services, hotel and resort operations, card and lease operations, trading and airline-related business. This segmentation has been made for internal management purposes. Businesses other than the air transportation business, airline-related business, travel services and card and lease operations are insignificant to the consolidated results of operations of the Company and its consolidated subsidiaries and, accordingly, have been included in "Other."

Business segment information of the Company and its consolidated subsidiaries for the six months ended September 30, 2006 and 2007 and the year ended March 31, 2007 is summarized as follows:

Six months ended September 30, 2006								
	Air trans- portation	Airline- related business	Travel services	Card and lease operations	Other	Total	General corporate assets and intercompany eliminations	Consoli- dated
	(Millions of yen)							
Operating revenues:								
Sales to third parties	¥804,742	¥ 78,665	¥189,880	¥ 7,737	¥ 68,976	¥1,150,002	¥ –	¥1,150,002
Inter-group sales and transfers	106,206	100,804	4,785	23,944	33,878	269,620	(269,620)	–
Total	910,949	179,470	194,666	31,682	102,855	1,419,622	(269,620)	1,150,002
Operating expenses	914,432	174,595	193,850	28,622	99,907	1,411,408	(269,565)	1,141,842
Operating income (loss)	¥ (3,483)	¥ 4,874	¥ 815	¥ 3,060	¥ 2,947	¥ 8,214	¥ (54)	¥ 8,160
Six months ended September 30, 2007								
	Air trans- portation	Airline- related business	Travel services	Card and lease operations	Other	Total	General corporate assets and intercompany eliminations	Consoli- dated
	(Millions of yen)							
Operating revenues:								
Sales to third parties	¥823,719	¥ 82,918	¥197,480	¥ 8,631	¥ 30,183	¥1,142,933	¥ –	¥1,142,933
Inter-group sales and transfers	107,915	98,455	2,276	23,949	19,744	252,340	(252,340)	–
Total	931,634	181,373	199,757	32,580	49,928	1,395,274	(252,340)	1,142,933
Operating expenses	881,842	178,967	198,687	30,435	48,854	1,338,787	(252,506)	1,086,281
Operating income	¥ 49,792	¥ 2,405	¥ 1,069	¥ 2,144	¥ 1,073	¥ 56,486	¥ 165	¥ 56,652
Year ended March 31, 2007								
	Air trans- portation	Airline- related business	Travel services	Card and lease operations	Other	Total	General corporate assets and intercompany eliminations	Consoli- dated
	(Millions of yen)							
Operating revenues:								
Sales to third parties	¥1,601,152	¥172,252	¥370,979	¥15,500	¥142,029	¥2,301,915	¥ –	¥2,301,915
Inter-group sales and transfers	200,367	196,488	8,745	50,320	73,872	529,794	(529,794)	–
Total	1,801,520	368,741	379,725	65,820	215,901	2,831,709	(529,794)	2,301,915
Operating expenses	1,798,901	360,391	380,546	59,923	208,610	2,808,373	(529,376)	2,278,997
Operating income (loss)	¥ 2,618	¥ 8,350	¥ (821)	¥ 5,897	¥ 7,291	¥ 23,336	¥ (418)	¥ 22,917

7. Segment Information (continued)

b. Geographic segment information

The worldwide operations of the Company and its consolidated subsidiaries are geographically segmented into Japan and other areas. Areas other than Japan include Asia and Oceania, North and South America, and Europe. Geographical segmentation is based on the geographical proximity of the countries and areas. In addition, revenues from international operations of the air transportation companies are treated as revenues earned in Japan.

Six months ended September 30, 2006					
	Japan	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	(Millions of yen)				
Operating revenues:					
Sales to third parties	¥1,051,513	¥ 98,489	¥1,150,002	¥ —	¥1,150,002
Inter-group sales and transfers	12,271	36,838	49,109	(49,109)	—
Total	1,063,784	135,327	1,199,112	(49,109)	1,150,002
Operating expenses	1,055,698	134,808	1,190,506	(48,664)	1,141,842
Operating income	¥ 8,085	¥ 519	¥ 8,605	¥ (445)	¥ 8,160
Six months ended September 30, 2007					
	Japan	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	(Millions of yen)				
Operating revenues:					
Sales to third parties	¥1,038,864	¥104,068	¥1,142,933	¥ —	¥1,142,933
Inter-group sales and transfers	11,166	25,823	36,990	(36,990)	—
Total	1,050,031	129,892	1,179,923	(36,990)	1,142,933
Operating expenses	993,535	129,338	1,122,873	(36,592)	1,086,281
Operating income	¥ 56,496	¥ 553	¥ 57,049	¥ (397)	¥ 56,652
Year ended March 31, 2007					
	Japan	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	(Millions of yen)				
Operating revenues:					
Sales to third parties	¥2,088,370	¥213,544	¥2,301,915	¥ —	¥2,301,915
Inter-group sales and transfers	24,276	70,347	94,624	(94,624)	—
Total	2,112,647	283,892	2,396,539	(94,624)	2,301,915
Operating expenses	2,090,211	283,111	2,373,322	(94,325)	2,278,997
Operating income	¥ 22,435	¥ 780	¥ 23,216	¥ (298)	¥ 22,917

7. Segment Information (continued)

b. Geographic segment information (continued)

The major countries and areas included in each region are as follows:

Asia/Oceania:	China, Singapore, Australia, Guam
North and South America:	U.S.A. (excluding Guam), Mexico
Europe:	U.K., France, Germany, Italy

c. Operating revenues from overseas operations

Operating revenues from overseas operations, which include the international passenger and cargo services of Japan Airlines International Co., Ltd., Japan Asia Airways Co., Ltd. and JALways CO., Ltd., export sales of domestic subsidiaries, and sales of subsidiaries outside Japan, for the six months ended September 30, 2006 and 2007 and the year ended March 31, 2007 are summarized as follows:

	Six months ended September 30, 2006			
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from overseas operations	¥222,961	¥213,829	¥113,189	¥ 549,980
Consolidated operating revenues				¥1,150,002
Consolidated operating revenues as a percentage of operating revenues from overseas operations	19.4%	18.6%	9.8%	47.8%
	Six months ended September 30, 2007			
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from overseas operations	¥242,799	¥211,761	¥115,163	¥ 569,724
Consolidated operating revenues				¥1,142,933
Consolidated operating revenues as a percentage of operating revenues from overseas operations	21.2%	18.5%	10.1%	49.8%

7. Segment Information (continued)

c. Operating revenues from overseas operations (continued)

	Year ended March 31, 2007			
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from overseas operations	¥471,065	¥421,152	¥217,529	¥1,109,747
Consolidated operating revenues				¥2,301,915
Consolidated operating revenues as a percentage of operating revenues from overseas operations	20.5%	18.3%	9.4%	48.2%

Geographical segmentation is based on the geographical proximity of the countries and areas.

The major countries and areas included in each region are as follows:

Asia/Oceania:	China, South Korea, Singapore, India, Australia, Guam
North and South America:	U.S.A. (excluding Guam), Canada, Mexico, Brazil
Europe:	U.K., France, Germany, Italy

Components of Revenues in the Air Transportation Segment

	Six months ended September 30, 2006		Six months ended September 30, 2007		Year ended March 31, 2007	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
International:						
Passenger operations	¥370,720	40.7	¥384,182	41.3	¥ 724,889	40.3
Cargo operations	92,419	10.1	91,455	9.8	190,500	10.6
Mail-service operations	4,247	0.5	4,621	0.5	9,200	0.5
Luggage operations	999	0.1	964	0.1	1,975	0.1
Subtotal	468,386	51.4	481,224	51.7	926,565	51.5
Domestic:						
Passenger operations	345,862	37.9	352,766	37.9	675,680	37.5
Cargo operations	14,295	1.6	13,924	1.5	28,938	1.6
Mail-service operations	5,297	0.6	4,995	0.5	10,858	0.6
Luggage operations	148	0.0	167	0.0	298	0.0
Subtotal	365,603	40.1	371,853	39.9	715,774	39.7
Other revenues	29,742	3.3	31,710	3.4	60,917	3.4
Incidental business revenues	47,215	5.2	46,845	5.0	98,262	5.4
Total revenues	<u>¥910,949</u>	<u>100.0</u>	<u>¥931,634</u>	<u>100.0</u>	<u>¥1,801,520</u>	<u>100.0</u>