



Japan Airlines

One of the world's premier carriers, Japan Airlines Company, Ltd. (JAL) and its affiliates offer a growing network of services to over 87 international and domestic locations. These services encompass areas as varied as hotels and resorts, catering, maintenance, cargo, information and communications, and trading, as well as air travel.

The company was founded in 1951 as Japan's flag carrier and fully privatized in 1987. Its stock is listed and actively traded on Japan's three principal exchanges. JAL is the country's largest airline and one of the world's largest. Through a number of alliances and business tie-ups, JAL's range of services has been extended to many more cities. The business environment may change, but two well-known characteristics of JAL will not: its commitment to superlative service and total safety.

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Believe in JAL. We Do.

JAL is determined to be a winner as global competition intensifies. To do so, we believe it is vital to retain a tight focus on the fundamentals. A new century is approaching, one in which the Asia-Pacific region is expected to become the nucleus of demand for air transportation. Never before has the need been greater for JAL to return anew to the basics and aim to be the first choice of customers. Our activities in this respect are governed by the following precepts:

Safety First: It Can't Be Any Other Way

For an airline, safety is the premise for all operations. At JAL, excellence in safety standards is not a question of following global standards. We believe that we should consistently rank among the leaders. This is why we pay attention to every detail and conduct unflinching efforts to ensure safety. Every employee in the JAL Group carries out these efforts, flight by flight, day and night.

Quality Emphasized in Customer Service

Prevailing over the competition demands "products with value" — supplying high-quality products that customers want at prices that are competitive and appropriate. JAL is always examining and reexamining the services with which customers come into direct contact. We will continue to respond to our customers' needs by being a little ahead, a little faster.

Financial Health for Restoration of Dividends

JAL strives to offer the traveling public a comfortable journey. In addition, we must earn the trust of the investing public. Toward that goal, we are creating a resilient management system that will enable the resumption of dividend payments in the fiscal year ending in March 1999 and maintain stable dividends thereafter. The ultimate objective remains the same: retaining our status as a first-class world airline in the 21st century.



CONSOLIDATED FINANCIAL HIGHLIGHTS

JAPAN AIRLINES COMPANY, LTD. AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 1998, 1997 and 1996

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------|------------|------------|------------------------------|
| | 1998 | 1997 | 1996 | 1998 |
| For the Year: | | | | |
| Operating Revenues | ¥1,581,559 | ¥1,567,133 | ¥1,449,041 | \$11,981,507 |
| Operating Expenses | 1,541,376 | 1,557,301 | 1,431,726 | 11,677,090 |
| Operating Income (Loss) | 40,182 | 9,832 | 17,315 | 304,409 |
| Net Income (Loss) | (62,918) | (14,478) | (9,098) | (476,651) |
| Net Income (Loss) Per Share (yen and dollars) | ¥ (35.37) | ¥ (8.14) | ¥ (5.11) | \$ (0.267) |
| At Year-End: | | | | |
| Long-Term Debt | ¥1,064,235 | ¥1,022,383 | ¥1,091,993 | \$ 8,062,386 |
| Stockholders' Equity | 184,961 | 246,593 | 268,315 | 1,401,219 |
| Total Assets | 2,042,761 | 2,050,623 | 2,111,053 | 15,475,462 |
| Shares Issued (thousands) | 1,778,943 | 1,778,943 | 1,778,943 | |

Note: The U.S. dollar amounts in this annual report are translated from yen amounts, solely for convenience, at ¥132=U.S.\$1.00, the exchange rate prevailing on March 31, 1998 (see Note 2 to the Consolidated Financial Statements).

CONSOLIDATED OPERATING HIGHLIGHTS

JAPAN AIRLINES COMPANY, LTD. AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 1998 and 1997

| | | 1998 | 1997 | Change (%) |
|---|---------------|-------------------|-------------------|-------------|
| Revenue Passengers Carried: (number of passengers) | Domestic | 22,447,242 | 20,914,297 | 7.3 |
| | International | 12,749,376 | 13,021,708 | -2.1 |
| | Total | 35,196,618 | 33,936,005 | 3.7 |
| Revenue Passenger-Km: (1,000 passenger-km) | Domestic | 18,382,368 | 17,039,101 | 7.9 |
| | International | 65,290,700 | 64,907,727 | 0.6 |
| | Total | 83,673,068 | 81,946,828 | 2.1 |
| Revenue Passenger-Load Factor: (%; percentage point change) | Domestic | 64.0 | 61.5 | 2.5 |
| | International | 71.9 | 73.3 | -1.5 |
| | Total | 70.0 | 70.5 | -0.5 |
| Revenue Ton-Km Performed: (1,000 ton-km) | Domestic | 1,697,103 | 1,600,501 | 6.0 |
| | International | 10,212,886 | 10,030,692 | 1.8 |
| | Total | 11,909,989 | 11,631,193 | 2.4 |
| Revenue Weight-Load Factor: (%; percentage point change) | Domestic | 53.0 | 52.0 | 1.0 |
| | International | 69.1 | 70.2 | -1.2 |
| | Total | 66.2 | 67.0 | -0.8 |

Notes: 1. Ratios and percentages have been rounded to the nearest tenth of a percent.
2. Other figures less than one thousand, except for passengers carried, have been discarded.



Isao Kaneko
President

Results for the Year Ended March 1998

Against a backdrop of cooling personal consumption, financial system instability and other negatives, Japan's economy moved to the brink of recession in the year under review. Abroad, while the U.S. and European economies trended well, those in Asia lost momentum. For these reasons the airline industry saw falling passenger demand for flights originating in Japan and Southeast Asia. International air cargo demand felt some impact in the year's second half from Asian economic turmoil. But results were favorable overall, centering on exports to the U.S. and Europe, with revenues exceeding last year's. Domestic passenger demand was also higher as airlines worked to become more competitive. JAL made its flights more attractive by expanding the JAL Mileage Bank service to domestic routes, starting in April 1997, and other actions.

The fiscal year ended March 31, 1998, was a very difficult period — not only for JAL but also for the entire domestic airline industry, and indeed the Japanese economy as a whole. In this environment, JAL promoted various structural reforms aimed at an early resumption of dividend payments and posting of stable profits. The result was a recovery in profitability, with consolidated operating income rising fourfold over the prior year's level. With a one-time write-off of accumulated losses in the year ended March 1998, we have reached the point where we can foresee a level of earnings sufficient to support parent-company dividends.

We took a number of steps to raise efficiency. Service was inaugurated on several domestic and international routes. While expanding our service network, we altered flight frequencies and aircraft utilization to match changes in demand. In related operations, we embarked on the reorganization and restructuring of some businesses during the year.

The result was that JAL's combined domestic and international passenger and cargo volume rose 2.4 percent year-to-year to 11,909 million ton-kilometers. Operating revenues were up 0.9 percent to ¥1,581,559 million (US\$11,981 million). And our even more intensive efforts to cut costs reduced operating expenses by 1.0 percent to ¥1,541,376 million (US\$11,677 million). Consolidated operating income therefore came in at ¥40,182 million (US\$304 million). However, after non-operating income (expenses) and others, the net loss for the year was

¥62,918 million (US\$476 million).

Non-operating expenses, including valuation losses on related businesses, were the major factor behind this net loss. Events such as the U.S.-Japan aviation agreement and domestic deregulation indicate that competitive pressures will become yet more intense. To ensure the flexibility to cope with these challenges, improve our profitability and assure stable earnings, we believe it necessary to concentrate our resources on air transport and associated businesses. In line with this policy, we disposed of certain related businesses, primarily some overseas hotels. The aforementioned net loss arose from the lump sum posting of the valuation losses incurred.

In March 1998, we announced our decision to aggregate the non-operating expenses resulting from these revaluations and the loss carryforwards of the preceding five years, and post them to the accounts

for the year ended March 1998 at one stroke. And at the annual general shareholders' meeting in June 1998, our shareholders approved proposals to use the reserve for special depreciation, the special reserve, legal reserve, and part of the additional paid-in capital to clear accumulated losses all at once.

Toward Global Competitiveness

In January 1998, working-level officials reached basic agreement on a new U.S.-Japan aviation treaty, and in March the respective cabinet officers signed a Memorandum of Understanding. The negotiations

JAL is responding to the challenges of deregulation and intensified competition, both at home and abroad, by stressing convenience and customer satisfaction. Internally, cost cutting and improvement of our financial condition have high priority.

were aimed at ironing out various imbalances in the passenger sector. Divergences between the two sides in respect of deregulation and promotion of competition were left for the next round. For the Japanese firms affected, led by JAL, the stiff terms of the agreement mean that we will have to reinforce our competitive position in terms of services and cost.

As one way to achieve this goal, JAL in February agreed to form a code sharing arrangement with American Airlines (AA). This is an extremely large scale tie-up. When it becomes effective later in 1998, code-sharing will cover about 15 routes

within the U.S., between the two countries, and beyond Japan. Ultimately, this far-reaching agreement will embrace more than several hundred city combinations. It will significantly expand the JAL and AA networks and raise flight frequencies, placing both companies in an even better position to meet the expectations of the traveling public.

To Prevail Over Competitors

JAL is now implementing a medium-term business plan that ends in March 2002. Based on the major premise of safety, we are taking steps to bolster

both product and cost competitiveness. Specifically, we unified the international and domestic mileage programs, made our first class and JAL Executive Class – “SEASONS” business class more attractive, and took other measures to increase revenues. In the area of cost cutting, nothing was off limits; every category was reviewed from the ground up with a view to radical improvement in cost efficiency. These measures, along with the ongoing restructuring program that aims to resume dividends and generate stable earnings, yielded steady progress in restoring profitability at the parent company.

With the conclusion of the U.S.-Japan aviation negotiations and the entrance of new airlines into the domestic market, we foresee a period of even fiercer competition ahead. To prevail, and to pay dividends in the fiscal year ending March 1999, we devised last year our medium-term management plan for the four years to March 2002. This new plan pushes forward the structural reforms contained in the existing medium-term plan. I will flesh out some of the main points of the new plan.

In our international services, we will respond flexibly to demand on each route, adding and deleting flights as necessary in respect of profitability. In addition, plans call for an aggressive stance regarding alliances to expand our network, centering on transpacific routes.

On the domestic side, we will increase service on existing trunk routes. For other routes, we will raise efficiency by aligning service with demand and profitability.

In our cargo business, we will be expanding our service network through alliances and reinforcing our route network via subcontracting of transport operations.

A key point is promoting reform of our cost structure. ATK costs, already down 20 percent over five years, are targeted for a further decline of more than 10 percent during the four years of the medium-term plan. We are taking a new approach to our domestic routes by transferring B737 routes

to JAL Express and making low-cost operation our basic principle. In addition, we are moving aggressively to make more of our expenses foreign currency-denominated, centering on Japan Air Charter.

In related businesses, plans call for review of unprofitable operations with a view to reducing interest-bearing liabilities of the group as a

flight frequencies, deregulation of fares, the effects of the U.S.-Japan aviation agreement and other adverse factors will affect not only the domestic air carriers. We expect an intensification of borderless competition for overseas carriers as well.

Against this backdrop, the fundamental premises of our business remain uncompromising safety

willingness of top management to accept responsibility for quick judgments based on strategic considerations. This enables employees in the front lines to do their jobs expeditiously.

As an organization certain to remain one of Japan's best-known companies in the 21st century, and as a leading global airline, JAL regards the building of a sound company to pass along to future generations as our mission. We will respond as one to the expectations of our shareholders and exert utmost efforts toward recovery in our business results.

A final note: three employees of JAL, including a former director, were found to have engaged in improper corporate practices during the period November 1995 – May 1998. JAL deplors such activity and has taken steps in the corporate governance area to ensure that it does not recur. While the incident had no effect on our business results, we sincerely regret any concern it may have occasioned for our shareholders.

I would like to take this opportunity to thank our shareholders for their continuing patience and understanding, and to solicit their support in the challenging period ahead.

My management approach is to set clear objectives and seek results. . . . Top management must be willing to accept responsibility for quick judgments based on strategic considerations. . . . We will respond as one to the expectations of our shareholders and exert utmost efforts toward recovery in our business results.

whole. In addition to spin-offs and restructuring, we will be looking to strengthen group management and to take our principal subsidiaries public.

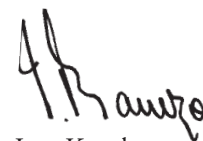
Through these and other measures, we are projecting average annual growth on the order of 4 percent on a company-wide ATK basis during the four-year period ending March 2002.

Outlook

Japan's economic outlook remains clouded, and an unsatisfactory situation looks to continue. While we expect air transport demand to fall off temporarily, both domestically and internationally, the overall trend should remain favorable. But the invasion of the domestic market by new competitors, elimination of regulations on domestic routes and

twinned with services of the highest quality. We will work even harder to reinforce our service and cost competitiveness. In addition, we are aiming at a management system that makes possible both a dividend resumption in the fiscal year ending March 1999 and continuous dividend payouts thereafter. These are the main axes of the medium-term management plan for the years from April 1998 to March 2002.

I succeeded Mr. Akira Kondo as your president in June 1998. This change marks the commencement of a new management system at JAL. My approach is to set clear objectives and to seek results. These results are to be achieved through speedy decision-making and fair and open management. One element of speedy decision-making involves the



Isao Kaneko
President

THE AIRLINE CUSTOMERS WANT TO FLY

Service the Equal of Any
at Home or Abroad



THE AIRLINE CUSTOMERS WANT TO FLY

Japan Airlines aims at being the airline of choice for customers, providing attractive products that meet their needs, services that satisfy and a sense of security. These three precepts always guide our activity.

Tie-up With American Airlines

Japan Airlines and American Airlines (AA) concluded a comprehensive alliance in 1994, and since then have deepened their relationship in terms of business and service. In February 1998, basic agreement was reached on a wide-ranging code sharing tie-up to strengthen the alliance. Code sharing will actually begin from late 1998. At that initial stage, JAL flights from Japan to Los Angeles, New York and other nonstop destinations will use both JAL and AA flight numbers. Conversely, AA flights to Japan from Dallas, Seattle and other cities will have JAL flight numbers. Thereafter, the system will be successively expanded. In the future, we expect to have code sharing flights to many destinations in the U.S. and Japan.

Currently, the bulk of the code sharing JAL carries out with other airlines covers at most 3 - 4 routes. This much larger alliance with AA takes full advantage of the networks of both companies. We anticipate that code sharing with AA will ultimately embrace several hundred cities. This will enable both partners to offer a wide choice of routes and arrival and departure times.

For the future, mega-alliances, including code-sharing tie-ups, are likely to create an era in which groups of airline companies compete against one another. Recognizing the significance of this trend, Japan Airlines is drafting blueprints for alliance strategies in its home market. It is imperative that



In April 1998, the "Advance Purchase Discount Goku 28" special fare was introduced. It is now in force for 10 Pacific and 10 Asian routes.

JAL 悟空
前売り悟空28



Basic agreement on code-sharing was reached in February 1998 with long-time tie-up partner American Airlines.

we look ahead to the upcoming age of global competition in the next century and make decisions today accordingly.

Establishing Fares Adapted to Needs

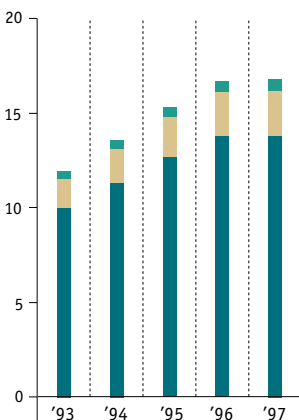
Just as consumer tastes are becoming more varied, the ways in which they travel are diversifying as well. Always dedicated to responding quickly to such changes, JAL has introduced new fares to address these emerging needs.

International travelers increasingly prefer independent travel over group tours. We responded by introducing in the fiscal year ended March 1995 the "JAL Goku" fare, a type of regular discount fare that was an immediate success. And in April 1998, the "Advance Purchase Discount Goku 28" fare system made its debut, targeting rising passenger demands for greater discounts. Under this system, tickets purchased up to 28 days prior to departure are eligible for fares even lower than "JAL Goku." Currently, these new fares apply to 10 Pacific and 10 Asian routes; JAL plans to extend these fares to other routes in accordance with demand.

In April 1996, Japanese airlines were allowed to begin setting domestic fares anywhere within a certain range. The new system quickly gained acceptance among passengers. The number of passengers taking advantage of "Advance Purchase (MAEURI) Discounted 28" and other discounted fares has grown steadily. To build on this momentum, JAL unified two discount fare plans in September 1997: the "early morning ticket," offering a discount for early flights, and the "special flight ticket," which provides a discount for designated flights. At the same time, the number of flights on which these discounts are offered was increased by 9 to 44 to cover a much larger area.

The Number of Japanese Traveling Overseas

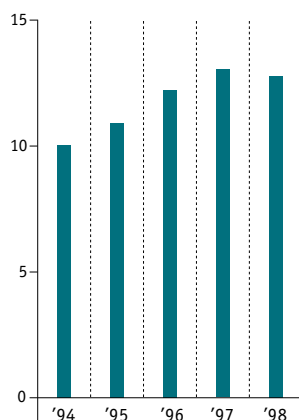
(Millions)
Years Ended December 31



Legend: Tourism (dark blue), Business (light blue), Other (green)
Source: Government white paper on travel

The Number of Passengers Traveling Overseas Via JAL, JAA and JAZ

(Millions)
Years Ended March 31



THE AIRLINE CUSTOMERS WANT TO FLY

Services for the World Traveler

On the international routes, the main ongoing sales promotion campaigns are titled “Resócha,” “JAL Disney Campaign” and “JAL EuroExpress.” All have been hugely popular. In addition, we have expanded the areas covered by each, enhanced relationships with the destination cities, and increased the number of flights. These actions are making these campaigns even more effective. One example is the introduction of “Night DE Resócha,” an overnight flight from Tokyo to Guam. And in November, Tokyo-Kona daily service was inaugurated.

The international traveler is concerned with more than time spent in the air. In recognition of this, JAL is moving forward with improvement of reservations and airport services. During the fiscal year ended March 1998, we twice expanded the European areas covered by our London reservations office to embrace 9 countries — moves that echoed a successful similar effort in the U.S. one year earlier. Not only has this enhanced the efficiency of our reservations; it has also enabled our staff to respond to passengers’ inquiries in their own languages.

Improving cabin services is a constant theme. Following up the highly-rated JAL Executive Class – “SEASONS” service introduced last year, JAL launched “JAL Sky Sleeper” for first class. Passengers on long distance flights can sleep on new electrically-powered seats that can recline to a completely horizontal position. Partitions, blankets and pillows are on hand, among other amenities to make a long flight a restful one. This unique idea has been implemented since November 1997 in first class on a total of 10 European and continental U.S. routes, drawing kudos from travelers.

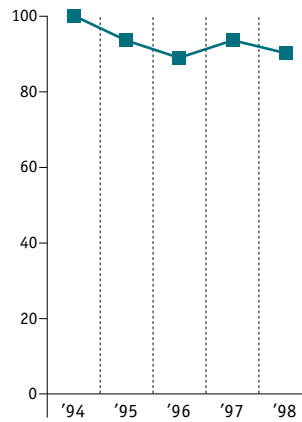
“JAL Sky Sleeper” seats are installed in JAL’s first class cabins.



Full flat seats are now standard in first class for long flights.

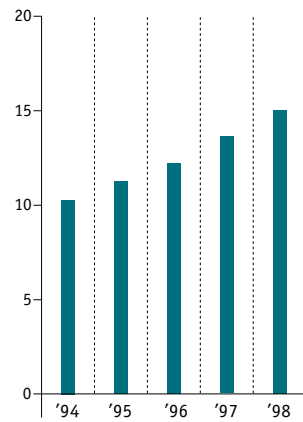


Indexed Operating Costs Per Available Ton-Km
(Non-Consolidated)
Years Ended March 31



(Note: 1994=100)

Number of AXESS Terminals in Japan
(Thousands)
Years Ended March 31



Expanding Domestic Services

Japan Airlines continues to fill out its domestic network year by year by establishing routes that maximize the potential of our takeoff and landing slots. New route selection also takes into account costs, utilizing aircraft appropriate for demand, and many other factors. In the fiscal year ended March 1998, an expansion of slots at Haneda enabled JAL to commence service on 3 new routes. In addition, we were able to increase by one the number of daily round-trip flights leaving Haneda for such popular destinations as Kumamoto, Oita and Kagoshima. Service has been expanded by the nationwide installation of new automatic check-in machines, an Internet ticketless service, improvement of the pushbutton telephone service and other innovations.

In April 1997, moreover, we brought the JAL Mileage Bank into the domestic system, simultaneously pursuing various sales campaigns to make the Mileage Bank a core service for individual travelers.

Japan Airlines’ basic concept for its domestic routes embraces “peace of mind, simplicity, convenience.” All three are key to our growth in the gigantic domestic air travel industry, which has about 82 million passengers each year. And these three elements are key to making JAL the airline of choice in an era wherein air travel is nothing special, but an ordinary part of daily living.

As a result of our ongoing sales promotions, the opportunities for both individuals and groups to use JAL have steadily risen: in the fiscal year ended March 1998, domestic passengers increased by 7.3 percent to 22.44 million.

THE AIRLINE CUSTOMERS WANT TO FLY



THE AIRLINE CUSTOMERS WANT TO FLY

Taking Customer Satisfaction to the Nth Degree

エクスプレスカウンター
Express Counter (No Checked Bag)



THE AIRLINE CUSTOMERS WANT TO FLY

Remaining “the airline of choice” — JAL recognizes that there is no other way to prevail in an era of yet stiffer competition on an international scale. Enhancement of customer satisfaction (CS) has been the central theme of a Service Committee. Established five years ago, the committee is chaired by the president and includes the senior officers in charge of services. To deepen and expand our commitment to customer satisfaction as central to management, the committee has been reorganized as the CS Promotion Committee. This body provides a structure that reflects systematically the opinions and desires of our customers. Distinguishing the committee is its function as an ombudsman, providing advice and counsel for the improvement of products and services.

It has also been instrumental in revamping the sales, airport and passenger cabin service headquarters that create the services directly encountered by customers. In addition, the committee has combined sales and airport functions into the customer business division, and established a seamless overall system for providing services in line with customer movements.

The Voice of the Customer as a Management Resource

The requests, praise, criticism and opinions of customers are evaluations of the services we offer, and indicators of services we should be considering. At the same time as we hear the voice of the customer, we seek to improve services at each branch. And services that draw customer praise are used to educate employees, via CS information developed at the management level.

Customers’ opinions are obtained via toll-free telephone



The Family Service offers special beds for infants and other amenities for family travelers.

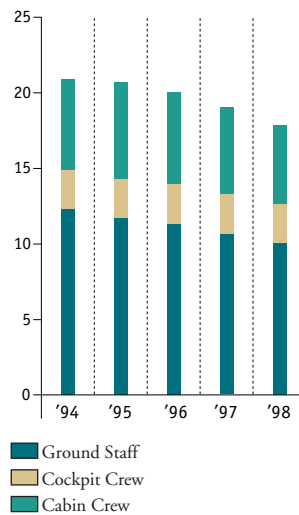


Physically-challenged passengers are “Priority Guests,” issued with special cards to enhance convenience.

Number of Employees (JAL Only)

(Thousands)

Years Ended March 31



In April 1997, ticketless service was added. It is available 24 hours a day.

lines, comment cards and other means. The number of these responses is growing every year: in the two years to March 1997, they were up about 14 percent. In its in-flight magazine *Winds*, JAL in turn provides feedback to passengers on actions taken in response to their suggestions. We are also planning construction of a system for collecting the opinions of employees who use JAL and other airlines for business or personal travel. This will enable us to reinforce our capabilities for concrete evaluations of services.

Furthermore, to heighten employee awareness of customer satisfaction and promote improvements, the Service Committee publishes a newsletter called *Services Ratings (hyoban)*, which is distributed to all employees. We also distribute weekly the contents of electronic mail from customers, centering on hints for upgrading services.

Inside the Cabin

There are indispensable preconditions to being the airline of choice. To offer higher quality services, it is essential that we respond to the voice of the customer in a timely manner. Customer satisfaction is enhanced by addressing each of their needs. JAL is committed to improvement of all of its services, including those pertaining to the cabin or in-flight experience.

Following through on thorough marketing research on cabin service, we have transformed passenger requirements into products. One example is adding value to the JAL Executive Class — “SEASONS” on international routes. Another is the introduction in December 1997 of the “JAL Sky Sleeper” seats in first class; these recline to a full-flat position for a restful flight. In addition, service has been revamped in both its hardware and software aspects, all with the passenger in mind.

THE AIRLINE CUSTOMERS WANT TO FLY

Focus on Improving Safety



THE AIRLINE CUSTOMERS WANT TO FLY

For customers, by far the major reason for choosing an airline is its safety. And for an airline, safety is its lifeline.

Maintenance of safe flying is a permanent theme for JAL. We therefore believe that what is of utmost importance for all employees, including those of the Group companies, is assuring the safe completion of every flight, one by one. This is not solely a matter for the flight and ground divisions. Cabin safety, management of outsourced work, control of hazardous materials, security, and a myriad of other functions are also essential. The core concepts for the Group as a whole are “a different approach” and “improve safety with this one step.”

Safe and Comfortable Flying

JAL has always taken an aggressive, problem-solving approach to cabin safety. One theme is preventing injuries to passengers and crew when turbulence is encountered. We have set up internal working groups, established clear rules for using the seat belt sign during turbulence and landings, and prepared educational materials for cockpit and cabin crews. Keying off the September 1996 occasion when a JAL emergency evacuation occurred at Narita, we created a study group to examine the best ways to guide passengers during such emergencies. We will implement the group’s recommendations as soon as possible after each idea one is submitted.

Quality Control by Global Standards

The key phrase for achieving safety in our cargo business is “handling hazardous materials.” To obtain the understanding of agencies and shippers, JAL adopts a proactive approach.

To ensure safety, all employees work to promote the completion of every flight without incident.



JAL tops the list for on-time departures by aircraft type. This ratio is an index of maintenance quality.



Departure Reliability

(%)

| | |
|----------|-------|
| B747 | 99.54 |
| B747-400 | 99.67 |
| B767 | 99.77 |
| DC-10 | 99.61 |
| MD-11 | 98.39 |
| B777 | 99.82 |
| B737-400 | 99.92 |

Note: Departure reliability measures the historical probability of an aircraft's departure not being canceled or delayed for more than 15 minutes beyond schedule due to technical problems.

And internally, improvement of quality control is pursued, including the handling of such materials. As the first stage in this effort, in April 1998 JAL’s hub cargo branch at Narita obtained ISO 9001 certification for its quality control.

High Safety Levels

JAL’s Engineering & Maintenance Division operates at the world’s highest levels. A representative indicator of maintenance quality is seen in the 1996 on-time departure ratios for the world’s major airlines — for the B747, B767, DC-10, MD-11, B737-400, B777 and other types of aircraft, JAL ranked among the leaders in each category. JAL’s Boeing 777-200 operations have posted consistently high marks since this model was brought into service in April 1996. Following on this success, the B777-300, whose fuselage is about 10 meters longer than its B777-200 predecessor, entered domestic service in July 1998. New aircraft require new knowledge, and the experience and data acquired from two years of B777-200 operation have enabled smooth deployment of the new equipment. For the B777, JAL has a cooperative maintenance arrangement with All Nippon Airways that will be extended to Japan Air System. This sharing of knowledge and experience will enable the establishment of an effective maintenance system.

As the cockpit crew plays a leading role in safety, JAL places considerable priority on training flight crews. To maintain the highest standards while implementing our management structural reform, we have increased use of simulators. Further, conscious of the fact that the contribution of the human factor to aircraft accidents is not diminishing, JAL began stressing the importance of Cockpit Resource Management (CRM) a decade ago. Since June 1997, a head office CRM Committee has been at work to clarify basic policy and rethink the overall composition of JAL’s CRM. Together with formulating important programs, we are continuing to hone our CRM skills for the planned introduction in the fiscal year ending March 1999 of line flying operations.

Passenger Operations (Domestic)



Extension of the popular JAL Mileage Bank frequent flyer program to domestic routes made a major contribution to demand expansion. We foresee a much more competitive domestic market. JAL views aviation deregulation as an important business opportunity. We are confident that the customer convenience enhancements in place and planned will ensure JAL's continued preeminence as Japan's flag carrier.



In April 1997, the popular "JAL Mileage Bank" frequent flyer program was extended to domestic flights. (left, above)

The "JAL Okinawa Campaign" was successful in stimulating tourism and ticket sales. (right)

The JAL Express low-cost domestic airline takes off in July 1998. (right, above)

Results — Year Ended March 31, 1998

Application of the JAL Mileage Bank to domestic routes made a major contribution to expanding demand. That demand rose steadily all through the year, boosted by multifaceted sales efforts. Total passenger volume advanced by 7.3 percent to 22,447 thousand, and domestic passenger revenues were up by 3.6 percent to ¥321.9 billion (US\$2.4 billion).

Highlights of the Year

Following an expansion in the number of takeoff and landing slots at Haneda, JAL inaugurated several new routes: Tokyo – Memanbetsu, Tokyo – Obihiro and Tokyo – Kochi. Furthermore, the number of flights was increased on the Tokyo – Oita, Tokyo – Kumamoto and Tokyo – Kagoshima routes. In conjunction with this network expansion, early morning and late-night flights were added for the high-demand season and the overall number of flights adjusted to meet seasonal demand variations. Route efficiency was enhanced by suspension from September 1997 of three Osaka – Kyushu routes and of the Niigata – Sapporo service from November.

For early morning departures and flights in limited demand, JAL began promoting “Special Sale” discount tickets as a sales tactics to spur demand and increase revenues.

In other marketing activities, the JAL Mileage Bank (JMB) that has been so popular on international routes was brought into the domestic arena. This was paired with a campaign to celebrate this event. Called “Thanks to 2.5 million JMB members,” the campaign and other promotions lifted domestic JMB

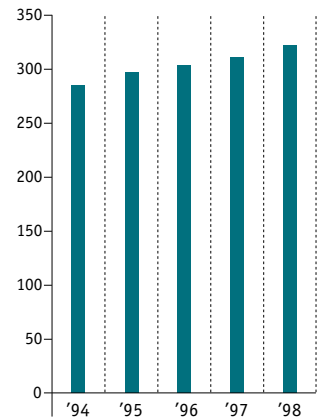
members to 3.1 million as of March 1998. JAL also continued promotions for its perennially popular ’97 JAL Okinawa and JAL SKI 98 campaigns.

From April 1997, new automatic check-in machines were installed at various airports. These machines allow passengers to select their seats and use credit cards for automatic issuance of tickets already reserved. Reservations made via the Internet also climbed steadily. To enhance convenience further, April 1997 saw the addition of ticketless service functions in which credit cards can be used.

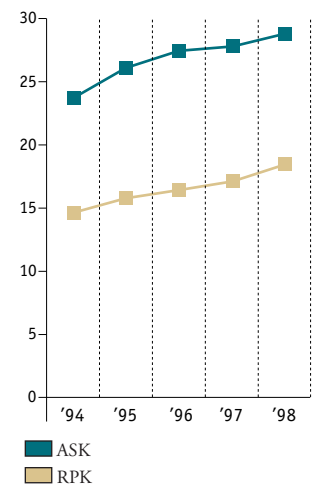
Outlook

With the entrance of new airlines into the domestic arena, the elimination of regulations on providing service on particular routes, more flexibility in setting fares and other deregulation, we foresee a much more competitive domestic market. Far from being intimidated, however, JAL views deregulation as a major business opportunity. With the increase in takeoff and landing slots at Haneda and Itami airports, we will be augmenting our services on high-demand routes. And based on the low-cost principle, we will switch some routes to JAL Express. These measures are expected to enhance the efficiency of our domestic route network.

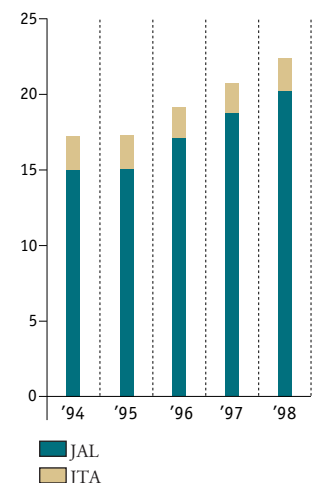
Consolidated Domestic Passenger Revenues
(Billions of Yen)
Years Ended March 31



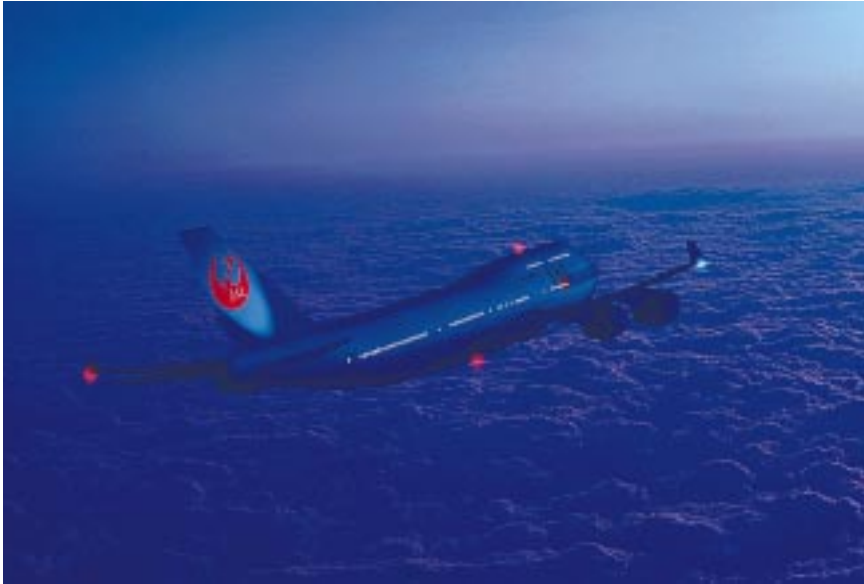
Domestic Revenue Passenger-Km & Available Seat-Km
(Billions of Passenger-km)
Years Ended March 31



Domestic Passenger Numbers for JAL and JTA
(Millions)
Years Ended March 31



Passenger Operations (International)



Though the economic slump slowed growth in international travel, tie-ups and alliances with other carriers, led by American Airlines, open the door to an even wider overseas network. The code-sharing arrangement with AA means that several hundred new cities will be more accessible to travelers using the facilities of both partners. This will position JAL to compete effectively in the international arena on into the 21st century.



Expansion of "JAL EuroExpress" intercity routes in Europe enhances convenience. (above)

Since its inauguration in 1996, the JAL Executive Class – "SEASONS" has been extremely popular. (left, above)

The "JAL Disney Campaign" successfully boosted demand for flights to Los Angeles. (left)

Results — Year Ended March 31, 1998

Growth in the number of Japanese tourists travelling abroad was blunted somewhat by a stagnant domestic economy. Volume on the Hong Kong route and to other destinations fell. Even business departures from Japan, which had posted consistent growth, slowed as the economy contracted sharply in the second half. The result was that overall demand came in below the previous year's. In this environment, JAL sought to strengthen its overseas network, including alliances, and bolster its competitiveness. Nevertheless, the number of overseas passengers declined 2.1 percent to 12,749 thousand and passenger revenues were down by 0.4 percent to ¥667.6 billion (US\$5.0 billion).

Highlights of the Year

JAL made significant strides in improving services for individual travelers during the past year. We completed installation of the JAL “Skyluxe Seats” as the core of the JAL Executive Class – “SEASONS” that was inaugurated in the previous year. And in November 1997, the new “Sky Sleeper” full flat seats that can recline a full 180 degrees to function as beds in the skies, made their debut in first class cabins on European and North American routes. Economy class was not neglected: we offered advance seat selection for individual passengers traveling on full-fare tickets or JAL discount tickets such as “JAL Goku,” and assured a system for more comfortable air travel.

Various campaigns were undertaken to spur tourism demand and

attract more passengers: “New Resócha,” “JAL Disney Campaign” and “JAL EuroExpress” were all effective in this respect.

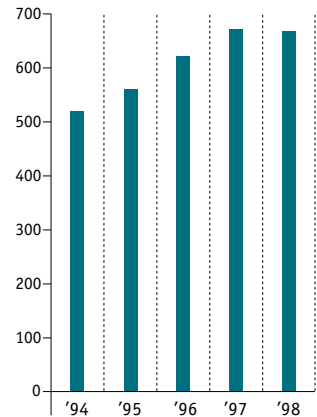
The international network continued to expand. With Air France, JAL inaugurated service from Paris to Istanbul in April 1997 and began flying between Nagoya and Paris the following July. Another cooperative service, with South African Airways, linked Osaka and Johannesburg starting in October, while a tie-up with Turkish Airlines permitted joint flights between Osaka and Istanbul the same month. On its own, JAL inaugurated service connecting Osaka and Dalian in November. JAL also increased the numbers of flights on such popular routes as Tokyo to New York, Kona (Hawaii), Los Angeles, Bangkok and Manila, Osaka – Ho Chi Minh City and Sendai – Honolulu.

Outlook

Against a background of multifarious factors affecting world economies and expectations for volatile fluctuations in demand, JAL is planning flexible responses and more efficient route management. We must and will pursue greater competitiveness and improvements in passenger convenience. The foundation for this is an even wider network in consequence of the broad code sharing alliance agreement with American Airlines reached in February 1998. Passengers, meanwhile, are becoming more discriminating in their choices. It is thus imperative that JAL maintain and improve satisfaction levels with regard to both fares and quality, and strive to offer products that make for comfortable air travel.

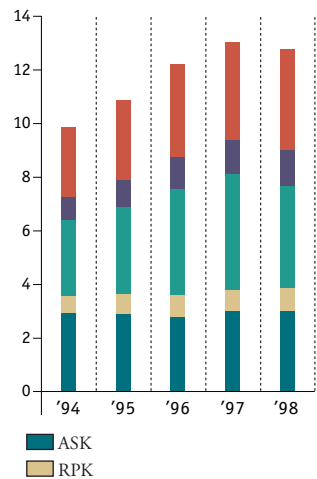
Consolidated International Passenger Revenues

(Billions of Yen)
Years Ended March 31



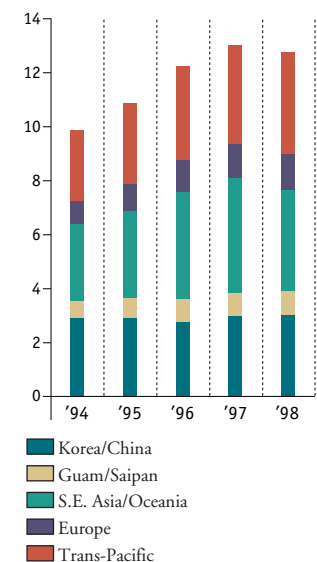
International Revenue Passenger-Km & Available Seat-Km

(Billions of Passenger-km)
Years Ended March 31



Breakdown of International Passengers Carried by Route

(Millions of Passengers)
Years Ended March 31



Cargo Operations



Though a cooling Japanese economy restrained growth in domestic cargo demand, international operations improved buoyed by the weaker yen and higher exports to bullish overseas economies. A number of innovations in cargo services and facilities are increasing customer convenience, including the "New South Network" based on the Atlanta cargo hub and connecting 14 U.S. cities by truck.



In November 1997, JAL inaugurated an Internet-based cargo information search service. (left, above)

Unpainted aircraft are environmentally friendly, reduce weight and consume less fuel. (above)

In collaboration with freight forwarders, JAL has built a system to meet high-level logistics requirements. (left)

Results — Year Ended March 31, 1998

A stagnant domestic economy held domestic air cargo demand to no better than that of the previous fiscal year. Amid stiffer competition, JAL sought to stimulate demand by starting service on new routes and working to uncover latent demand on existing routes, centering on the home delivery sector. But the volume moved was 271 million ton-kilometers, about the same as last year's, while revenues declined by 27.7 percent to ¥21.6 billion (US\$164 million).

International cargo operations were a different story. Shipments from Japan trended well on the back of a chronically weaker yen and bullish U.S. and European economies: volume was up 3.9 percent to 4,007 million ton-kilometers and revenues increased 1.7 percent to ¥150.2 billion (US\$1,138 million).

Highlights of the Year

In domestic cargo operations, new routes spurred demand while the company worked to uncover latent home delivery and other demand for existing routes. We also operated dedicated aircraft to transport cut flowers and other specialty cargo. But a precipitous economic decline in the fiscal year's second half and the absence of any major hit products in the consumer market caused domestic cargo results to trend lower.

In the international cargo sector, April 1997 saw the establishment of a dedicated cargo route to Atlanta. In tandem with this, Atlanta was made the base for the "New South Network," with truck transport linking 14 cities in the U.S.'s South and Midwest regions. JAL also expanded its air cargo network using the Atlanta hub and put together a sales organization to develop cargo demand in Latin America.

The year saw the commencement of full-scale marketing of the "J Speed Service," which involves more flexibility in airport delivery time, loading guarantees and quick deliveries at destinations. Japan departures were added to those from the U.S. and Asia. In August 1997, as a result of Japan-China aviation negotiations, JAL was enabled to do its own marketing for China-originating cargo services instead of subcontracting it to a Chinese airline; this will enhance our detailed responsiveness to customer needs.

Furthermore, to accommodate increasing cargo volume, the cargo terminal facilities at Narita, London, Frankfurt and other airports were augmented. And in November customer convenience was increased by the opening of a cargo transport status reference on the Internet.

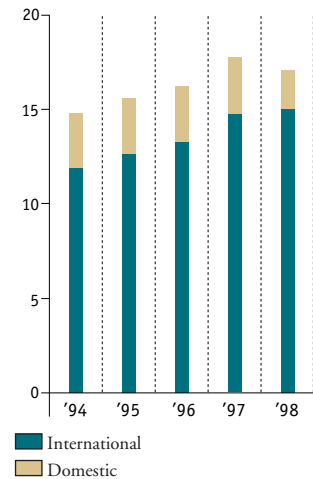
Outlook

Although there are few expectations for an imminent turnaround in the domestic cargo market, there are indications of a gradual recovery; the fiscal year ending March 1999 will nevertheless be a difficult one. JAL remains committed to extending existing demand, developing new cargo services and responding flexibly with extra flights as necessary.

Demand for international cargo services may well decline because of Southeast Asian currency devaluations and the ongoing recession at home. Although some loss of momentum is likely, the sector should continue to perform well, centering on exports. JAL's planning calls for ongoing growth in the supply of our services. We will also enter into additional tie-ups with other airlines in such important business segments as joint flight operations, marketing and cargo handling.

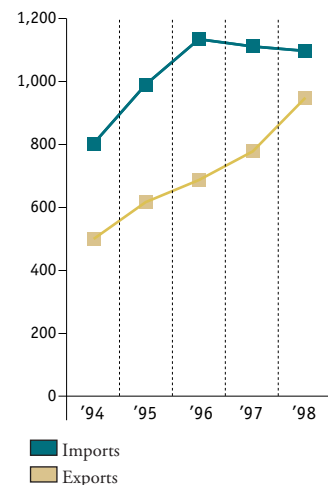
Consolidated Cargo Revenues

(Billions of Yen)
Years Ended March 31



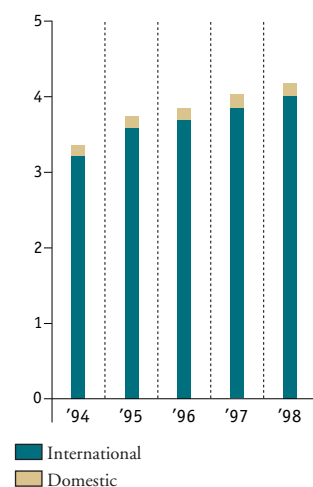
Air Cargo Imports to and Exports From Japan

(Thousands of Tons)
Years Ended March 31



Revenue Freight Ton-Km Performed

(Billions of Ton-km)
Years Ended March 31



Other Operations



Successful efforts were made to secure ground handling operations contracts from foreign airlines, partially offsetting losses on our hotel and resort operations. In-flight sales were the subject of a major drive, with JAL receiving plaudits for its merchandise selection, including over 100 items in its lineup on international flights. These sales are, moreover, a basic way to communicate with and receive feedback from passengers.



The Nikko Tokyo offers magnificent views overlooking Tokyo Bay. (left, above)

With one of these "JAL Cards," ticketing and many other services can be obtained. (left)

Beer sales have begun on domestic Okinawa routes. (above)

Results — Year Ended March 31, 1998

JAL moved aggressively to gain ground operations subcontracts from other airlines, carry out in-flight sales and promote other businesses. In the aggregate, these actions lifted revenues 2.9 percent year-to-year to ¥419 billion (US\$3.1 billion). Hotel and resort operations were, however, impacted by lower demand for overnight stays, both at home and abroad, and revenues declined by 1.5 percent to ¥63.6 billion (US\$482 million). Extension of the JAL Mileage Bank frequent flyer program to the domestic system and other factors helped boost revenues in the credit card and leasing operations by 6.9 percent to ¥45.7 billion (US\$346 million).

Highlights of the Year

Selection of merchandise for in-flight sales is another element of JAL's promotion of customer satisfaction. Cabin crews are instrumental in choosing appealing goods through the feedback they provide from passengers. We also introduced an incentive system and conducted aggressive sales activities by dividing cabin crew personnel into competing groups.

On international flights, the merchandise lineup embraces more than 100 items, an array well received by passengers. JAL strives to ensure satisfaction by selling luxury brand items at the lowest prices and offering many original products.

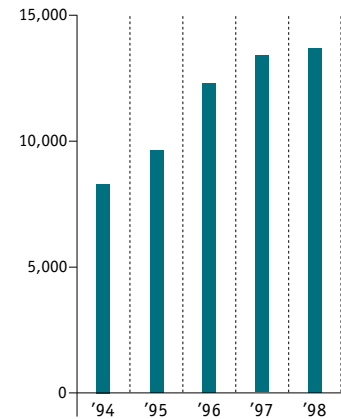
Outlook

In-flight sales are a basic way to communicate with passengers. JAL is committed to selecting products that help make flying an even more enjoyable experience.

We intend to review and revamp hotel operations and other related operations with low profitability. This will involve spin-offs and restructurings aimed at reinforcing the management foundation of each Group company.

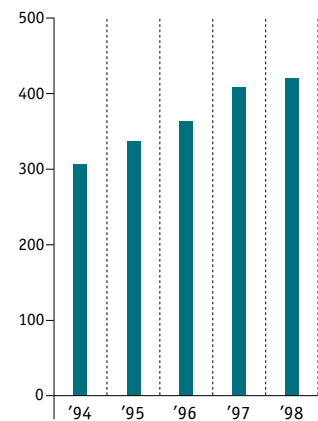
In-Flight Sales

(Millions of Yen)
Years Ended March 31



Consolidated Incidental and Other Revenues

(Billions of Yen)
Years Ended March 31



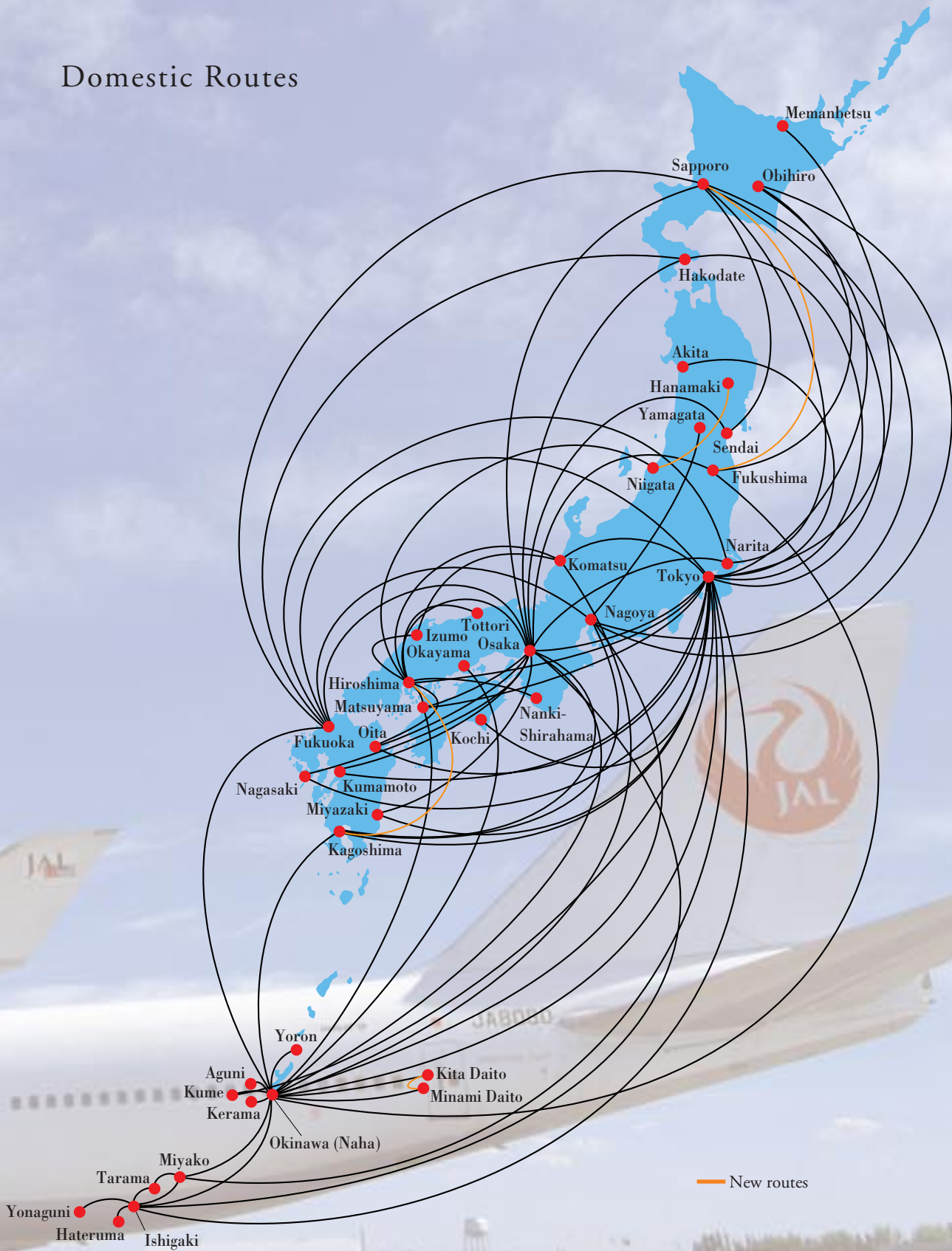
JAL ROUTE NETWORK

Japan Airlines Company, Ltd. and affiliated companies
As of July 31, 1998

International Routes



Domestic Routes





With the "Wings of Friendship" program in its 11th year, the JAL Group contributes to society by inviting disadvantaged children to see its facilities and visit Tokyo Disneyland.



JAL aircraft are fitted with instruments for atmospheric measurement to help reduce pollutants.

A company's first duty is naturally to make a profit. However, financial success alone is not a worthy goal. Moreover, companies that do not establish solid ties with the rest of society are unlikely to prosper. JAL's corporate activities outside the business realm include donations and a variety of social and cultural activities. The company is increasing efforts in these areas, concentrating mainly on regional activities, environmental protection, cultural arts and the "Priority Guest" service.

Contributions to Society

JAL continues to implement social contribution programs that center on themes derived from its main business, air transport.

Representative of the company's efforts in this direction is the *Fureai no Tsubasa*, or "Wings of Friendship" program, now in its eleventh year. Based on monetary contributions and volunteer participation by employees, the program each year invites handicapped and orphan children from all over Japan to Tokyo to see close up the aircraft maintenance facilities at Haneda and to enjoy operating the flight simulators. In March 1998, 101 children from 21 locations in Japan were invited.

In October 1996, JAL began supporting the emergency rescue activities of the Association of Medical Doctors of Asia (AMDA), a volunteer medical group. The company's assistance includes free air tickets for medical personnel dispatched in response to emergencies, and free transport of rescue equipment. In November 1997, JAL extended assistance in this way to the Vietnam typhoon rescue project, and in January 1998 to the China earthquake relief project. Both cases involved transporting doctors, nurses and equipment to the disaster sites.

JAL is actively pursuing ways to help ensure that passengers needing medical care or who are physically challenged have a safe and enjoyable trip when they fly with the company. JAL holds sign language training sessions at Narita and Haneda for cabin staff and other personnel. The company has also introduced Braille boarding passes at some airports to promote the "barrier-free" concept and improve services.

Participating in Environmental Protection

International ISO standards governing environmental management went into effect in September 1996,

leading to a steady rise in interest in corporate environmental activities. In June 1996, JAL established an independent Global Environment Committee and took other steps to upgrade its environmental programs. Currently, JAL is working to obtain ISO 14001 certification for its maintenance operations.

The evolution of technological progress year by year has brought fuel consumption per effective seat-kilometer down to nearly half what it was 30 years ago. As JAL's response to the global warming problem, the company has in recent years sought to reduce consumption by adding fuel-efficient B747-400s, B767s and B777s to its fleet. In the Operations & Engineering Group, CO₂ emissions are held down by on-site training, inspection simulations and other measures to improve the efficiency of operating aircraft.

As part of its environmental protection measures, JAL uses CFC substitutes in all its servicing and maintenance operations, and has discontinued the use of trichloroethane equipment. The company also takes measures to treat and reuse waste water and to cut the amount of industrial waste generated.

CONSOLIDATED SIX-YEAR FINANCIAL SUMMARY

JAPAN AIRLINES COMPANY, LTD. AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31

| | Millions of yen | | | | | | Thousands of U.S. dollars |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------------|
| | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1998 |
| Income data | | | | | | | |
| Operating revenues: | | | | | | | |
| Passenger: | | | | | | | |
| Domestic | ¥ 321,945 | ¥ 310,878 | ¥ 303,160 | ¥ 296,628 | ¥ 284,599 | ¥ 286,091 | \$ 2,438,977 |
| International | 667,693 | 670,530 | 620,481 | 560,236 | 518,246 | 557,080 | 5,058,280 |
| Cargo: | | | | | | | |
| Domestic | 21,678 | 29,988 | 29,401 | 28,980 | 28,463 | 28,957 | 164,227 |
| International | 150,299 | 147,834 | 132,603 | 126,677 | 119,559 | 135,590 | 1,138,628 |
| Incidental and other | 419,943 | 407,901 | 363,394 | 335,893 | 305,743 | 276,066 | 3,181,386 |
| Total operating revenues | 1,581,559 | 1,567,133 | 1,449,041 | 1,348,417 | 1,256,612 | 1,283,786 | 11,981,507 |
| Operating income (loss) | 40,182 | 9,832 | 17,315 | (12,631) | (29,627) | (45,134) | 304,409 |
| Loss before income taxes, minority interests and equity in earnings of unconsolidated subsidiaries and affiliates | (64,146) | (9,289) | (8,540) | (19,249) | (43,349) | (55,971) | (485,954) |
| Net loss | (62,918) | (14,478) | (9,098) | (14,620) | (37,463) | (47,873) | (476,651) |
| Share data | | | | | | | |
| Per share (Yen and U.S. dollars): | | | | | | | |
| Net loss | ¥ (35.37) | ¥ (8.14) | ¥ (5.11) | ¥ (8.22) | ¥ (21.06) | ¥ (26.91) | \$ (0.267) |
| Cash dividends applicable to the year | - | - | - | - | - | - | - |
| Net assets | 103.97 | 138.62 | 150.83 | 157.31 | 170.24 | 190.92 | 0.787 |
| Financial position at year end | | | | | | | |
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents, time deposits and marketable securities | ¥ 194,457 | ¥ 150,677 | ¥ 204,030 | ¥ 301,092 | ¥ 308,365 | ¥ 374,561 | \$ 1,473,159 |
| Other current assets | 360,537 | 340,679 | 341,535 | 299,297 | 329,010 | 301,015 | 2,731,340 |
| Total current assets | 554,995 | 491,356 | 545,565 | 600,390 | 637,375 | 675,577 | 4,204,507 |
| Investments and advances | 244,187 | 297,185 | 286,968 | 270,022 | 335,283 | 392,625 | 1,849,901 |
| Property and equipment, net | 1,173,581 | 1,170,876 | 1,190,812 | 1,190,328 | 1,068,181 | 952,393 | 8,890,765 |
| Housing loans to employees | 6,251 | 6,278 | 4,938 | 21,362 | 57,280 | 54,900 | 47,356 |
| Other assets | 49,612 | 53,034 | 51,238 | 38,950 | 41,333 | 37,655 | 375,848 |
| Translation adjustments | 14,133 | 31,891 | 31,529 | 34,706 | 10,057 | 5,094 | 107,068 |
| Total assets | ¥2,042,761 | ¥2,050,623 | ¥2,111,053 | ¥2,155,761 | ¥2,149,512 | ¥2,118,246 | \$15,475,462 |
| Liabilities and stockholders' equity | | | | | | | |
| Current liabilities | ¥ 681,843 | ¥ 674,261 | ¥ 645,693 | ¥ 600,512 | ¥ 588,524 | ¥ 583,167 | \$ 5,165,477 |
| Long-term debt | 1,064,235 | 1,022,383 | 1,091,993 | 1,171,365 | 1,155,808 | 1,084,922 | 8,062,386 |
| Accrued severance indemnities | 97,393 | 102,018 | 99,987 | 96,839 | 95,624 | 105,778 | 737,825 |
| Minority interests | 14,326 | 5,365 | 5,062 | 7,198 | 6,716 | 4,749 | 108,530 |
| Stockholders' equity | 184,961 | 246,593 | 268,315 | 279,846 | 302,837 | 339,627 | 1,401,219 |
| Total liabilities and stockholders' equity | ¥2,042,761 | ¥2,050,623 | ¥2,111,053 | ¥2,155,761 | ¥2,149,512 | ¥2,118,246 | \$15,475,462 |

MANAGEMENT REVIEW AND ANALYSIS OF FINANCIAL POSITION

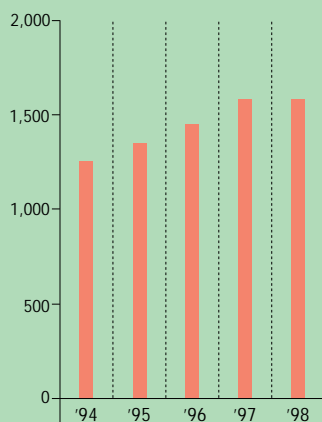
JAPAN AIRLINES COMPANY, LTD. AND CONSOLIDATED SUBSIDIARIES

Fiscal years ended March 31, 1998 and 1997

Consolidated Operating Revenues

(Billions of Yen)

Years Ended March 31



Overview

During the fiscal year ended March 31, 1998, Japan Airlines Company, Ltd. and its consolidated subsidiaries (“the Company”) faced an extremely difficult operating environment in Japan due to a persistently weak economy. In other regions, results benefited from healthy economies in North America and Europe, but were hurt by slowing growth in Asia. This situation caused declines in international passengers originating in Japan and elsewhere in Asia. However, the yen’s depreciation led to higher air cargo volumes from Japan to North America and Europe. On domestic routes, passenger volumes rose as the company took a number of actions to become more competitive. The resulting growth in operating revenues, coupled with the benefits of rigorous cost-cutting efforts, produced a substantial increase in operating income. Nevertheless, the posting of losses on the revaluation of investments and other factors resulted in a large net loss for the year.

Operating Revenues

Consolidated operating revenues increased 0.9 percent to ¥1,581.5 billion. Passenger revenues rose 0.8 percent to ¥989.6 billion due to growth on domestic routes. Cargo revenues were down 3.3 percent to ¥171.9 billion as Japan’s weak economy reduced domestic volume. Incidentals and other revenues advanced 3.0 percent to ¥419.9 billion, mainly the result of greater ground services contracting from foreign airlines and higher in-flight merchandise sales.

International passenger revenues decreased 0.4 percent to ¥667.6 billion, although international revenue passenger kilometers rose from 64,907 million to 65,290 million. Despite this increase, the number of international passengers carried declined from 13,021 thousand to 12,749 thousand, represented by a sharp drop in Tokyo-Hong Kong demand. Pleasure travel from Japan was sluggish throughout the year, while business travel from Japan slowed significantly in the last quarter of the fiscal year. JAL was able to minimize the effects of these negative trends through the inauguration of service on new routes, a number of initiatives to enhance in-flight services and high-profile marketing campaigns.

Domestic passenger revenues increased 3.6 percent to ¥321.9 billion. Revenue passenger kilometers climbed 7.9 percent to 18,382 million and the number of passengers increased from 20,914 thousand to 22,447 thousand. This growth was mostly attributable to the introduction of more flights, the strong response to the expansion of JAL’s frequent flyer program — the JAL Mileage Bank — to domestic routes, and the realignment of service to reflect fluctuations in demand.

International cargo revenues were up 1.7 percent to ¥150.2 billion. The combination of the stable economies of the U.S. and Europe and a weakening yen led to growth in shipments from Japan to these regions. Also contributing to growth was the April 1997 initiation of the New South Network, a trucking service connecting Atlanta with 14 U.S. cities, and the operation of unscheduled cargo flights on high-volume routes to supplement scheduled service.

Domestic cargo revenues were down 27.7 percent to ¥21.6 billion as Japan's lackluster economy caused air cargo volume to fall. Intensifying competition also impacted performance. Offsetting these trends somewhat was the commencement of service on new routes, actions to tap new sources of demand and cargo flights exclusively for cut flowers and other types of cargo.

Operating Expenses

Operating expenses decreased 1.0 percent to ¥1,541.3 billion despite the growth in operating revenues. This achievement is due in large part to the success of JAL's broad-based cost containment efforts in recent years. The benefits were most evident in the decreases in sales and advertising and aircraft and traffic servicing. Additionally, JAL was able to limit the growth in general and administrative expenses and flight operations even as the scale of its airline operations grew during the year. By item, the largest increase was in flight operations as JAL added flights during the year. Depreciation and amortization were down considerably because the Company revised the estimated useful lives of aircraft from 15 years for international use and 13 years for domestic use, to economical useful lives determined by aircraft type, and ranging from 13 to 22 years.

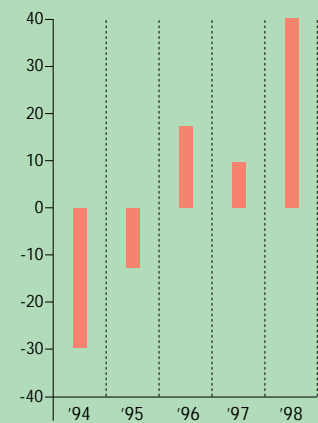
Operating and Net Income

The reduction in operating expenses lifted operating income to ¥40.1 billion compared with ¥9.8 billion in the prior fiscal year. This increase was more than offset by non-operating expenses of ¥104.3 billion. Interest expense, net of interest and dividend income, was ¥38.9 billion, down slightly from the prior year's ¥39.4 billion. Low interest rates in Japan offset a small increase in total debt. Growth in special termination benefits and loss on investments in subsidiaries and affiliates were the result of actions taken in line with the ongoing restructuring program. Termination benefits were due to the early retirement system for managers over 55 years old who elected to leave the Company. The loss on investments was caused by the hotel and resort sector. With the restructuring program largely complete as of the end of the past fiscal year, JAL believes that there will be no more significant expenses related to restructuring. The growth in non-operating expenses produced a loss before income taxes and other items of ¥64.1 billion and a net loss of ¥62.9 billion.

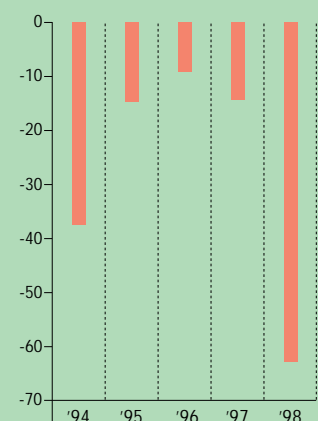
Consolidated Costs of Flying Operations
(Billions of Yen)
Years Ended March 31



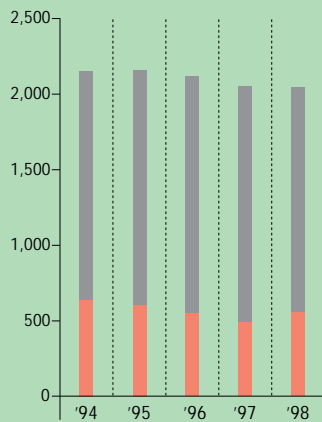
Consolidated Operating Income (Loss)
(Billions of Yen)
Years Ended March 31



Consolidated Net Income (Loss)
(Billions of Yen)
Years Ended March 31

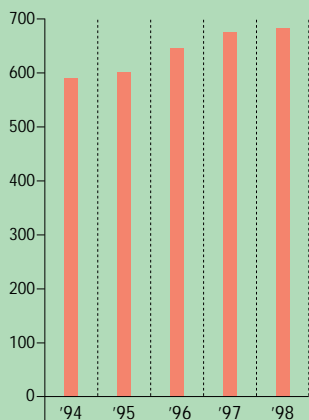


Consolidated Total Assets
(Billions of Yen)
Years Ended March 31

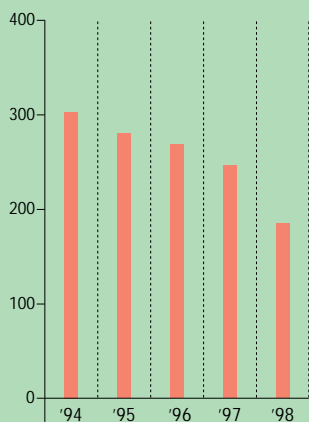


Current Assets
Total Assets

Consolidated Current Liabilities
(Billions of Yen)
Years Ended March 31



Consolidated Total Stockholders' Equity
(Billions of Yen)
Years Ended March 31



JAL Fleet

As of March 31, 1998

| Type of Aircraft | Capacity | Owned | Leased | Total |
|------------------|----------------|-----------|-----------|------------|
| Boeing 747-400 | 266-568 seats | 25 | 7 | 32 |
| Boeing 747LR | 344-468 seats | 14 | 16 | 30 |
| Boeing 747SR | 533, 563 seats | 7 | 2 | 9 |
| Boeing 747F | 115 tons | 0 | 8 | 8 |
| Boeing 767 | 230-270 seats | 15 | 6 | 21 |
| Boeing 737 | 150 seats | 5 | 2 | 7 |
| Boeing 777 | 389 seats | 4 | 1 | 5 |
| Douglas MD-11 | 233, 300 seats | 2 | 8 | 10 |
| Douglas DC-10 | 266-318 seats | 11 | 4 | 15 |
| Total | | 83 | 54 | 137 |

Balance Sheet Analysis

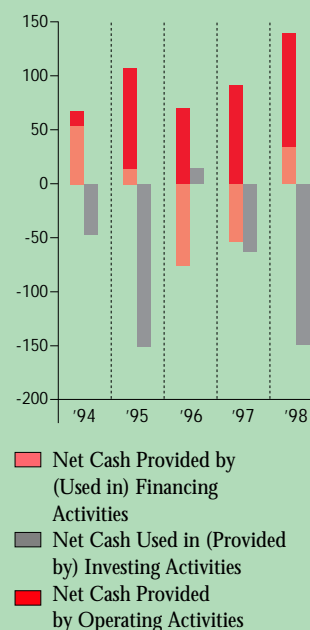
As of March 31, 1998, total assets amounted to ¥2,042.7 billion, ¥7.8 billion less than one year earlier. Current assets rose to ¥554.9 billion. Marketable securities and time deposits were up substantially as the Company increased assets on hand because of a slowdown in lending by banks in the wake of domestic financial instability that appeared in and after the autumn of 1997. Total investments and advances were down as JAL sold and devaluated a substantial volume of investments in the hotel and resort sector. Growth in property and equipment is almost entirely the result of additions to the aircraft fleet. The decrease in ground property and equipment was principally caused by real estate sales.

Total liabilities were ¥1,857.7 billion, ¥53.7 billion more than one year earlier. Current liabilities rose by ¥7.5 billion to ¥681.8 billion, while the current portion of long-term debt was down by 7.9 billion. Long-term debt increased by ¥41.8 billion to ¥1,064.2 billion, mostly to fund additions to the fleet. Total stockholders' equity decreased by ¥61.6 billion to ¥184.9 billion as JAL promoted concentration of management resources on the airline business, and accordingly shifted its stance from investment to revenue generation; this meant reserves for valuation losses and withdrawal costs for hotel and resort sector affiliates in order to achieve the goals of the Company's restructuring program.

Analysis of Cash Flows

Net cash provided by operating activities rose from ¥91.3 billion to ¥105.4 billion. JAL was able to achieve a higher operating cash flow as the year's net loss was due mainly to non-cash charges resulting in a loss on investments. A consistently high level of depreciation and amortization further contributed to the increase. Investing activities used net cash of ¥148.7 billion, mostly for additions to property and equipment, which increased to ¥142.2 billion. The large rise in this figure is largely the result of delivery and advance payments for new aircraft in the fiscal year ended March 31, 1998 and the following years. Major components of additions to property and equipment were six aircraft. There was also a large increase in time deposits and marketable securities, mainly short-term investments of funds that will be used for aircraft purchases in the following year. The decrease in proceeds from sales of property and equipment is due to a lower volume of asset sales than in the previous fiscal year. Net cash provided by financing activities was ¥34.4 billion as JAL increased long-term debt to fund additions to property and equipment. The primary source of these funds were Japanese yen bonds issued in Japan. See Note 3 for more information. The net result of these activities was a ¥8.8 billion decrease in cash and cash equivalents to ¥78.2 billion. Nevertheless, the large increase in time deposits and marketable securities significantly enhanced JAL's liquidity.

Consolidated Cash Flows
(Billions of Yen)
Years Ended March 31



Personnel (JAL Only)

As of March 31, 1998

| | |
|----------------|---------------|
| Ground Staff | 10,022 |
| Cockpit Crew | 2,614 |
| Cabin Crew | 5,227 |
| Total | 17,863 |
| (Non-Japanese) | 3,127 |

Note: These figures exclude directors who have concurrent employee responsibilities, personnel dispatched to other companies (2,168), cabin attendant of contract base (1,714), foreign cockpit crew (168) and employees on leave (510). Including these categories, JAL personnel totaled 22,350.

Personnel Composition by Labor Union (JAL Only)

As of March 31, 1998

| Union | Employees | Number of Members |
|---|--------------------------|-------------------|
| Japan Airlines Workers' Union | Ground staff, cabin crew | 11,767 |
| Japan Airlines Cabin Attendants' Union | Cabin crew | 1,263 |
| Japan Airlines Flight Crew Union | Cockpit crew | 1,325 |
| Japan Airlines Captain Association | Captains | 1,043 |
| Japan Airlines Labor Union | Ground staff | 300 |
| Japan Airlines Senior Flight Engineer Union | Senior flight engineers | 111 |
| Total | | 15,809 |

Note: These figures exclude union members who are employed by Japan Asia Airways Co., Ltd.

CONSOLIDATED BALANCE SHEETS

JAPAN AIRLINES COMPANY, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 1998 and 1997

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|--------------------|--------------------|--|
| | 1998 | 1997 | 1998 |
| Current assets: | | | |
| Cash and cash equivalents | ¥ 78,226 | ¥ 87,043 | \$ 592,621 |
| Time deposits | 12,660 | 2,794 | 95,909 |
| Marketable securities, at cost | 103,571 | 60,839 | 784,628 |
| Accounts receivable: | | | |
| Trade (Note 8) | 159,537 | 157,329 | 1,208,613 |
| Unconsolidated subsidiaries and affiliates | 27,346 | 30,038 | 207,166 |
| Allowance for doubtful accounts | (2,409) | (2,119) | (18,250) |
| Flight equipment spare parts, at cost | 54,436 | 53,705 | 412,393 |
| Prepaid expenses and other | 121,626 | 101,726 | 921,409 |
| Total current assets | 554,995 | 491,356 | 4,204,507 |
| Investments and advances: | | | |
| Unconsolidated subsidiaries and affiliates | 70,731 | 71,025 | 535,840 |
| Others, at cost | 173,456 | 226,159 | 1,314,060 |
| Total investments and advances | 244,187 | 297,185 | 1,849,901 |
| Property and equipment (Notes 1, 3 and 7): | | | |
| Flight equipment | 1,506,036 | 1,456,388 | 11,409,363 |
| Ground property and equipment | 822,534 | 831,185 | 6,231,318 |
| | 2,328,571 | 2,287,573 | 17,640,689 |
| Accumulated depreciation | (1,232,928) | (1,182,035) | (9,340,363) |
| | 1,095,643 | 1,105,537 | 8,300,325 |
| Advances on aircraft purchases and other | 77,938 | 65,338 | 590,439 |
| Property and equipment, net | 1,173,581 | 1,170,876 | 8,890,765 |
| Housing loans to employees (Note 8) | 6,251 | 6,278 | 47,356 |
| Deferred income taxes (Note 4) | 7,485 | 7,518 | 56,704 |
| Other assets | 42,126 | 45,515 | 319,136 |
| Translation adjustments | 14,133 | 31,891 | 107,068 |
| | ¥ 2,042,761 | ¥ 2,050,623 | \$15,475,462 |

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|-------------------|-------------------|--|
| LIABILITIES AND STOCKHOLDERS' EQUITY | 1998 | 1997 | 1998 |
| Current liabilities: | | | |
| Short-term bank loans | ¥ 76,284 | ¥ 75,261 | \$ 577,909 |
| Current portion of long-term debt (Note 3) | 172,443 | 180,406 | 1,306,386 |
| Accounts payable: | | | |
| Trade | 189,462 | 186,447 | 1,435,318 |
| Construction | 11,159 | 14,076 | 84,537 |
| Unconsolidated subsidiaries and affiliates | 7,466 | 4,962 | 56,560 |
| Accrued expenses | 72,130 | 70,857 | 546,439 |
| Accrued income taxes (Note 4) | 3,276 | 2,719 | 24,818 |
| Other | 149,620 | 139,532 | 1,133,484 |
| Total current liabilities | 681,843 | 674,261 | 5,165,477 |
| Long-term debt (Note 3) | 1,064,235 | 1,022,383 | 8,062,386 |
| Accrued severance indemnities (Note 5) | 97,393 | 102,018 | 737,825 |
| Minority interests | 14,326 | 5,365 | 108,530 |
| Commitments and contingent liabilities (Notes 7 and 8) | | | |
| Stockholders' equity: | | | |
| Common stock, ¥50 par value: | | | |
| Authorized: 6,000,000,000 shares | | | |
| Issued: 1,778,943,439 shares | 188,323 | 188,323 | 1,426,689 |
| Additional paid-in capital | 161,776 | 161,776 | 1,225,575 |
| Legal reserve (Note 6) | 7,330 | 7,330 | 55,530 |
| Deficit (Note 9) | (172,458) | (110,828) | (1,306,500) |
| | 184,971 | 246,601 | 1,401,295 |
| Common stock in treasury, at cost; | | | |
| 20,675 shares in 1998 and 16,130 shares in 1997 | (9) | (8) | (68) |
| Total stockholders' equity | 184,961 | 246,593 | 1,401,219 |
| | ¥2,042,761 | ¥2,050,623 | \$15,475,462 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

JAPAN AIRLINES COMPANY, LTD. AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 1998, 1997 and 1996

| | Millions of yen | | | Thousands of U.S. dollars (Note 2) |
|---|-------------------|-------------------|------------------|--|
| | 1998 | 1997 | 1996 | 1998 |
| Operating revenues: | | | | |
| Passenger: | | | | |
| Domestic | ¥ 321,945 | ¥ 310,878 | ¥ 303,160 | \$ 2,438,977 |
| International | 667,693 | 670,530 | 620,481 | 5,058,280 |
| Cargo: | | | | |
| Domestic | 21,678 | 29,988 | 29,401 | 164,227 |
| International | 150,299 | 147,834 | 132,603 | 1,138,628 |
| Incidentals and other | 419,943 | 407,901 | 363,394 | 3,181,386 |
| | 1,581,559 | 1,567,133 | 1,449,041 | 11,981,507 |
| Operating expenses: | | | | |
| Flight operations | 328,047 | 311,673 | 275,577 | 2,485,204 |
| Maintenance | 83,001 | 86,018 | 79,090 | 628,795 |
| Passenger services | 128,177 | 127,949 | 124,071 | 971,037 |
| Aircraft and traffic servicing | 200,788 | 209,401 | 196,572 | 1,521,121 |
| Sales and advertising | 212,123 | 222,783 | 197,779 | 1,606,992 |
| General and administrative (Note 4) | 108,112 | 107,166 | 102,265 | 819,030 |
| Depreciation and amortization | 80,889 | 100,165 | 94,779 | 612,795 |
| Cost of incidentals and other | 400,235 | 392,143 | 361,589 | 3,032,083 |
| | 1,541,376 | 1,557,301 | 1,431,726 | 11,677,090 |
| Operating income | 40,182 | 9,832 | 17,315 | 304,409 |
| Non-operating income (expenses): | | | | |
| Interest and dividend income | 4,025 | 6,415 | 5,726 | 30,492 |
| Interest expense | (43,021) | (45,842) | (50,759) | (325,916) |
| Exchange gains (losses), net | (478) | 3,217 | 4,463 | (3,621) |
| Aircraft purchase incentives | 6,642 | 5,725 | 3,323 | 50,318 |
| Gain on sales of marketable securities | 203 | 4,617 | 52 | 1,537 |
| Gain on sales of aircraft | 1,463 | 221 | 18,980 | 11,083 |
| Gain on sales of ground property | 12,422 | 25,744 | 1,932 | 94,106 |
| Special termination benefits (Note 5) | (15,462) | (4,810) | (1,010) | (117,136) |
| Loss on disposal of fixed assets | (1,179) | (3,890) | (1,797) | (8,931) |
| Loss on investments in subsidiaries and affiliates | (63,246) | (1,528) | (1,311) | (479,136) |
| Other, net | (5,698) | (8,990) | (5,456) | (43,166) |
| | (104,329) | (19,121) | (25,856) | (790,371) |
| Loss before income taxes, minority interests, and equity in earnings of unconsolidated subsidiaries and affiliates | (64,146) | (9,289) | (8,540) | (485,954) |
| Income taxes (Note 4): | | | | |
| Current | 4,152 | 3,816 | 3,675 | 31,454 |
| Deferred | 33 | 1,840 | 1,167 | 250 |
| | 4,186 | 5,657 | 4,842 | 31,712 |
| Loss before minority interests and equity in earnings of unconsolidated subsidiaries and affiliates | (68,332) | (14,946) | (13,383) | (517,666) |
| Minority interests | 3,192 | (1,031) | 2,252 | 24,181 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | 2,221 | 1,499 | 2,032 | 16,825 |
| Net loss | ¥ (62,918) | ¥ (14,478) | ¥ (9,098) | \$ (476,651) |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

JAPAN AIRLINES COMPANY, LTD. AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 1998, 1997 and 1996

| | Number of shares of common stock | Millions of yen | | | |
|--|--|-----------------|----------------------------------|------------------------------|---------------------|
| | | Common stock | Additional paid-in capital | Legal reserve (Note 6) | Deficit (Note 9) |
| Balance at March 31, 1995 | 1,778,943,439 | ¥188,323 | ¥161,776 | ¥7,330 | ¥ (77,577) |
| Net loss for the year ended March 31, 1996 | | | | | (9,098) |
| Bonuses to directors and statutory auditors | | | | | (22) |
| Decrease resulting from changes in equity interest in subsidiaries and affiliates | | | | | (674) |
| Translation adjustments | | | | | (1,722) |
| Balance at March 31, 1996 | 1,778,943,439 | 188,323 | 161,776 | 7,330 | (89,095) |
| Net loss for the year ended March 31, 1997 | | | | | (14,478) |
| Bonuses to directors and statutory auditors | | | | | (26) |
| Decrease resulting from changes in equity interest in subsidiaries and affiliates | | | | | (7,227) |
| Balance at March 31, 1997 | 1,778,943,439 | 188,323 | 161,776 | 7,330 | (110,828) |
| Net loss for the year ended March 31, 1998 | | | | | (62,918) |
| Bonuses to directors and statutory auditors | | | | | (25) |
| Increase resulting from changes in scope of consolidation | | | | | 1,313 |
| Balance at March 31, 1998 | 1,778,943,439 | ¥188,323 | ¥161,776 | ¥7,330 | ¥(172,458) |

| | Thousands of U.S. dollars (Note 2) | | | |
|---|------------------------------------|----------------------------------|------------------------------|----------------------|
| | Common stock | Additional paid-in capital | Legal reserve (Note 6) | Deficit (Note 9) |
| Balance at March 31, 1997 | \$1,426,689 | \$1,225,575 | \$55,530 | \$ (839,606) |
| Net loss for the year ended March 31, 1998 | | | | (476,651) |
| Bonuses to directors and statutory auditors | | | | (189) |
| Increase resulting from changes in scope of consolidation | | | | 9,946 |
| Balance at March 31, 1998 | \$1,426,689 | \$1,225,575 | \$55,530 | \$(1,306,500) |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JAPAN AIRLINES COMPANY, LTD. AND CONSOLIDATED SUBSIDIARIES
For the Years Ended March 31, 1998, 1997 and 1996

| | Millions of yen | | | Thousands of U.S. dollars (Note 2) |
|--|------------------|-----------------|------------------|--|
| | 1998 | 1997 | 1996 | 1998 |
| Operating activities | | | | |
| Net loss | ¥ (62,918) | ¥ (14,478) | ¥ (9,098) | \$ (476,651) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 94,416 | 104,941 | 94,779 | 715,272 |
| Net provision for severance indemnities | (4,625) | 2,031 | 3,148 | (35,037) |
| Provision for deferred income taxes | 33 | 1,840 | 1,157 | 250 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | (2,221) | (1,499) | (2,032) | (16,825) |
| Loss on investments in subsidiaries and affiliates | 63,072 | 146 | 1,311 | 477,818 |
| Gain on sales, disposal and revaluation of flight equipment spare parts, property and equipment | (9,352) | (17,899) | (17,103) | (70,848) |
| Minority interests | (3,192) | 1,031 | (2,252) | (24,181) |
| Foreign currency translation loss (gain) | 1,677 | (362) | 1,455 | 12,704 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 774 | 16,359 | (39,674) | 5,863 |
| Flight equipment spare parts, prepaid expenses and other | 14,455 | (15,204) | (2,386) | 109,507 |
| Accounts payable and accrued expenses | 13,356 | 14,448 | 40,473 | 101,181 |
| Net cash provided by operating activities | 105,475 | 91,354 | 69,778 | 799,053 |
| Investing activities | | | | |
| (Increase) decrease in time deposits and marketable securities | (52,599) | 27,862 | 104,923 | (398,477) |
| Additions to property and equipment | (142,292) | (91,364) | (95,821) | (1,077,969) |
| Proceeds from sales of property and equipment | 23,618 | 36,798 | 28,028 | 178,924 |
| Decrease (increase) in investments and advances | 11,388 | (19,893) | (18,752) | 86,272 |
| Decrease (increase) in housing loans to employees | 27 | (1,340) | 16,424 | 204 |
| (Increase) decrease in other assets | (5,698) | (6,109) | (19,724) | (43,166) |
| Other | 16,812 | (8,684) | (712) | 127,363 |
| Net cash (used in) provided by investing activities | (148,744) | (62,730) | 14,366 | (1,126,848) |
| Financing activities | | | | |
| Proceeds from long-term debt | 279,181 | 119,401 | 293,799 | 2,115,007 |
| Payments of long-term debt | (245,727) | (177,686) | (338,614) | (1,861,568) |
| Increase (decrease) in short-term bank loans | 1,023 | 4,185 | (31,403) | 7,750 |
| Dividends paid and bonuses to directors and statutory auditors | (25) | (26) | (53) | (189) |
| Net cash provided by (used in) financing activities | 34,452 | (54,126) | (76,271) | 261,000 |
| Net (decrease) increase in cash and cash equivalents | (8,817) | (25,502) | 7,873 | (66,795) |
| Cash and cash equivalents at beginning of the year | 87,043 | 112,545 | 104,672 | 659,416 |
| Cash and cash equivalents at end of the year | ¥ 78,226 | ¥ 87,043 | ¥ 112,545 | \$ 592,621 |
| Supplemental disclosures of cash flow information | | | | |
| Cash paid during the year for: | | | | |
| Interest | ¥ 39,348 | ¥ 47,670 | ¥ 69,850 | \$ 298,090 |
| Income taxes | 5,509 | 4,873 | 6,076 | 41,734 |

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JAPAN AIRLINES COMPANY, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 1998

1. Summary of Significant Accounting Policies

a. Basis of presentation

Japan Airlines Company, Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, and its consolidated foreign subsidiaries in conformity with those of the countries of their domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside Japan.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year classifications.

b. Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and all its significant subsidiaries. All significant inter-company accounts and transactions and unrealized gain or loss from intercompany accounts and transactions have been eliminated.

Investments in certain unconsolidated subsidiaries and in significant affiliates (companies owned 20% to 50%) are accounted for by the equity method.

The difference between the cost and the underlying net equity in the net assets at the dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method is amortized by the straight-line method over a period of five years.

c. Foreign currency accounts

Foreign currency receivables and payables are translated into yen as follows:

- (1) Current receivables and payables are translated at the applicable year-end rates;
- (2) Non-current receivables and payables not hedged by forward exchange contracts are translated at the historical rates, which approximate the prevailing rates at the time of the transactions; and
- (3) Long-term debt hedged by forward exchange contracts is translated at the forward rates, and the resulting translation differences are allocated to income or expenses on the basis of the number of months in the contract period.

The accounts of the consolidated foreign subsidiaries are translated into yen as follows:

- (1) Capital stock is translated at historical rates;
- (2) Retained earnings (deficit) at the beginning of the year is translated at the preceding year-end rate;
- (3) All other accounts are translated at the applicable year-end rate; and
- (4) The translation adjustments between the historical rates and the year-end rate of capital stock, and between the beginning and ending rates of retained earnings (deficit) at the beginning of the year are charged to the consolidated balance sheet.

The accounts of the unconsolidated foreign subsidiaries and affiliates accounted for by the equity method are translated into yen as follows:

- (1) Capital stock is translated at historical rates;
- (2) Retained earnings (deficit) at the beginning of the year is translated at the preceding year-end rate;
- (3) Retained earnings (deficit) at the end of the year and net income (loss) for the year are translated at the applicable year-end rate; and
- (4) The translation adjustments between the historical rates and the year-end rate of capital stock, and between the beginning and year-end rates of retained earnings (deficit) at the beginning of the year are charged to the consolidated balance sheet.

d. Property and equipment

Property and equipment is stated at cost except as indicated in the following paragraph.

In Japan, companies are permitted by tax legislation to defer certain capital gains principally arising from insurance claims by crediting them to the cost of certain properties. Such deferred gains at March 31, 1998 and 1997 amounted to ¥10,698 million (\$81,045 thousand) and ¥10,992 million, respectively.

Depreciation of property and equipment is summarized as follows:

Flight equipment:

Aircraft and spare engines:

| | |
|--|--|
| Boeing 747 | — principally the declining-balance method based on their estimated useful lives |
| (with the exception of Boeing 747-400) | |
| Boeing 747-400 | — the straight-line method based on their estimated useful lives |
| Boeing 767 | — the straight-line method based on their estimated useful lives |
| Boeing 777 | — the straight-line method based on their estimated useful lives |
| Boeing 737 | — the straight-line method based on their estimated useful lives |
| Douglas DC-10 | — principally the declining-balance method based on their estimated useful lives |
| Douglas MD-11 | — the straight-line method based on their estimated useful lives |

Spare parts contained in flight equipment:

— principally the declining-balance method based on each aircraft's or engine's estimated useful life

Ground property and equipment:

— principally the straight-line method

Costs for maintenance, repairs and minor renewals, and improvements are charged to income in the year incurred; major renewals and improvements are capitalized.

Effective April 1, 1997, the Company revised the estimated useful lives of flight equipment from 15 years for international use and 13 years for domestic use, to economical useful lives determined by aircraft and ranging from 13 years through 22 years. The effect of this revision was to decrease operating expenses and increase operating income by ¥17,381 million (\$131,674 thousand), and to

decrease loss before minority interests, income taxes and equity in earnings of unconsolidated subsidiaries and affiliates by ¥17,343 million (\$131,386 thousand) for the year ended March 31, 1998.

In general, when assets are sold or otherwise disposed of, the profit or loss, computed on the basis of the difference between the net book value of the assets and the sales proceeds, is credited or charged to income in the year of the sale or disposal, and the related cost and accumulated depreciation are removed from the accounts.

e. Bond issuance expenses

Bond issuance expenses are principally capitalized and amortized over a period of three years.

f. Accrued severance indemnities

An employee whose employment is terminated is entitled, in most cases, to a lump-sum severance payment, the amount of which is determined by reference to the basic rate of pay, length of service and the conditions under which the termination occurs. The Company has followed the accounting policy of providing for the liability for employees' severance indemnities to the extent to which they are deductible for income tax purposes. The rate of deduction permitted for income tax purposes is 40% of such liability.

In addition to the lump-sum payment plan, the Company and certain significant domestic subsidiaries have established contributory funded defined benefit pension plans pursuant to the Welfare Pension Insurance Law of Japan to substitute for their non-contributory funded pension plans, whereas most other domestic subsidiaries have maintained non-contributory funded pension plans. The costs of the pension plans are determined actuarially and the amortization of prior service cost is charged to income. Prior service cost is being amortized over a period of between 10 and 20 years.

g. Passenger revenue

Passenger revenue is principally recognized when the transportation services are rendered.

h. Leases

As lessee

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

As lessor

Certain of the Company's 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 lessees, are principally accounted for as operating leases.

i. Appropriation of retained earnings (deficit)

Under the Commercial Code of Japan, the appropriation of retained earnings (deficit) with respect to a financial period is made by resolution of the stockholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such appropriation.

j. Cash equivalents

The Company defines cash equivalents as highly liquid, short-term investments with an original maturity of three months or less.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥132=U.S.\$1, the approximate exchange rate prevailing on March 31, 1998, has been used. The inclusion of

such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

3. Long-Term Debt

Long-term debt at March 31, 1998 and 1997 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|------------|------------------------------|
| | 1998 | 1997 | 1998 |
| Bonds: | | | |
| Bonds in U.S. dollars, guaranteed by the Japanese government, due 1998, with interest at 10.875% | ¥ 1,411 | ¥ 8,528 | \$ 10,689 |
| Bonds in U.S. dollars, due 2003, with interest at 6.625% | 26,845 | 26,845 | 203,371 |
| Bonds in foreign currencies, due 1998, at a rate which varies according to LIBOR | 3,903 | 5,635 | 29,568 |
| Euro-yen bonds, due 1998 to 2003, with interest from 4.0% to 6.9% and at a rate which varies according to LIBOR | 138,695 | 191,899 | 1,050,719 |
| Japanese yen bonds, due 2001 to 2018, with interest from 1.9% to 3.1% | 266,100 | 120,000 | 2,015,909 |
| Convertible bonds, due 1999 to 2005, with interest from 1.5% to 1.6% | 35,678 | 37,968 | 270,287 |
| Loans with collateral, due 1998 to 2024, with interest from 1.125% to 6.6% | 337,349 | 347,849 | 2,555,674 |
| Loans without collateral | 393,554 | 427,624 | 2,981,469 |
| Other | 33,142 | 36,439 | 251,075 |
| | 1,236,679 | 1,202,789 | 9,368,780 |
| Less current portion | (172,443) | (180,406) | (1,306,386) |
| | ¥1,064,235 | ¥1,022,383 | \$ 8,062,386 |

Convertible bonds, unless previously redeemed, are convertible into shares of common stock of the Company at the following current conversion prices:

| | Conversion price per share | Conversion period |
|--|-------------------------------|-----------------------------------|
| 1.6% convertible bonds in yen due 2005 | ¥1,751.10 | February 1, 1990 – March 30, 2005 |
| 1.5% convertible bonds in yen due 1999 | ¥1,751.10 | February 1, 1990 – March 30, 1999 |

Under the provisions of these issues, the conversion prices are subject to adjustment in certain cases which include stock splits.

The aggregate annual maturities of long-term debt subsequent to March 31, 1998 are as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|--------------------|------------------------------|
| 1999 | ¥ 172,443 | \$1,306,386 |
| 2000 | 111,235 | 842,689 |
| 2001 | 130,582 | 989,257 |
| 2002 | 151,624 | 1,148,666 |
| 2003 and thereafter | 670,793 | 5,081,765 |
| | <u>¥1,236,679</u> | <u>\$9,368,780</u> |

A summary of assets pledged as collateral for long-term debt at March 31, 1998 is as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|--------------------|------------------------------|
| Flight equipment, net of accumulated depreciation | ¥311,484 | \$2,359,727 |
| Ground property and equipment, net of accumulated depreciation, and other | 131,053 | 992,825 |
| | <u>¥442,537</u> | <u>\$3,352,553</u> |

In November 1987, the Japan Airlines Company, Ltd. Law was abrogated. However, the section pertaining to the bondholders' entitlement to payments from the Company's assets in priority to that of other unsecured creditors was reinstated under a new law. Holders of bonds which amounted to ¥1,411 million (\$10,689 thousand) at March 31, 1998 are covered by the new law.

The effective interest rates on certain foreign currency bonds, which resulted from hedging such bonds with cross-currency interest rate swaps, were lower than the long-term prime rate in Japan at each issuance date.

4. Income Taxes

The Company is subject to a number of taxes based on taxable income, i.e. corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in a statutory rate of approximately 52% in 1998, 1997 and 1996.

Corporation tax and inhabitants' taxes are based on taxable income and are included under the caption "Income taxes – Current," whereas enterprise tax, which is deductible for corporation and inhabitants' tax purposes when paid, is included under

the caption "Operating expenses – General and administrative" in the accompanying consolidated statements of operations. Enterprise tax for the years ended March 31, 1998, 1997 and 1996 amounted to ¥1,444 million (\$10,939 thousand), ¥1,386 million and ¥1,306 million, respectively.

Deferred income taxes are recognized only insofar as they relate to the elimination of intercompany items on consolidation.

5. Accrued Severance Indemnities

Charges to income for severance indemnities including special termination benefits for the years ended March 31, 1998, 1997 and 1996 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|------------------------------|
| | 1998 | 1997 | 1998 |
| | ¥33,942 | ¥20,628 | \$257,136 |

The unamortized balance of prior service cost of the pension plans at March 31, 1997, the most recent valuation date, was ¥47,643 million (\$360,931 thousand).

6. Legal Reserve

In accordance with the provisions of the Commercial Code of Japan, the Company has provided a legal reserve by appropriating retained earnings. The legal reserve may be used to reduce or

eliminate a deficit or may be transferred to stated capital through suitable stockholders' or directors' action, but is not available for the payment of dividends.

7. Leases

As lessee

Lease expenses relating to capital lease transactions accounted for as operating leases amounted to ¥40,380 million (\$305,909 thousand) and ¥32,523 million for the years ended March 31, 1998 and 1997, respectively.

The present value of future rental expenses under capital leases accounted for as operating leases outstanding at March 31, 1998 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|--------------------|------------------------------|
| 1999 | ¥ 28,939 | \$ 219,234 |
| 2000 and thereafter | 193,085 | 1,462,765 |
| Total future expenses | ¥222,024 | \$1,682,000 |

Future rental expenses under operating leases outstanding at March 31, 1998 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|--------------------|------------------------------|
| 1999 | ¥ 8,649 | \$ 65,522 |
| 2000 and thereafter | 42,904 | 325,030 |
| Total future expenses | ¥51,553 | \$390,553 |

As lessor

Rental revenues relating to direct financing lease transactions accounted for as operating leases amounted to ¥1,649 million (\$12,492 thousand) and ¥1,648 million for the years ended March 31, 1998 and 1997, respectively.

The present value of future rental revenues under direct financing leases accounted for as operating leases outstanding at March 31, 1998 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|--------------------|------------------------------|
| 1999 | ¥1,303 | \$ 9,871 |
| 2000 and thereafter | 3,452 | 26,151 |
| Total future expenses | ¥4,756 | \$36,030 |

Future rental revenues under operating leases outstanding at March 31, 1998 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|--------------------|------------------------------|
| 1999 | ¥327 | \$2,477 |
| 2000 and thereafter | 382 | 2,893 |
| Total future expenses | ¥709 | \$5,371 |

8. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 1998 for purchases of property and equipment amounted to ¥580,955 million (\$4,401,174 thousand).

The Company leases aircraft, office space, warehouses and office equipment. These leases are customarily renewed upon expiration.

At March 31, 1998, contingent liabilities for guarantees, principally for unconsolidated subsidiaries, affiliates and employees, amounted to ¥46,191 million (\$349,931 thousand).

In addition, at March 31, 1998, the Company was liable under debt assumption agreements for in-substance defeasance of certain bonds in the aggregate amount of ¥120,000 million (\$909,090 thousand).

The Company has sold certain receivables and loans to banks. The outstanding balance of these receivables and loans sold at March 31, 1998 was ¥67,658 million (\$512,560 thousand).

9. Elimination of Accumulated Deficit

The Company's non-consolidated accumulated deficit at March 31, 1998 consisted of the following:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-------------------------------------|--------------------|------------------------------|
| Reserve for special depreciation | ¥ 8,665 | \$ 65,643 |
| Special reserve | 5,808 | 44,000 |
| Accumulated deficit brought forward | (151,772) | (1,149,787) |
| | ¥(137,298) | \$ (1,040,136) |

A proposal for disposition of the Company's non-consolidated accumulated deficit to be carried forward of ¥151,772 million

(\$1,149,787 thousand) at March 31, 1998 was approved at a shareholders' meeting held on June 26, 1998. A portion of the deficit in the amount of ¥172,458 million (\$1,306,500 thousand) at March 31, 1998 was offset against the reserve for special depreciation of ¥8,665 million (\$65,643 thousand), the special reserve of ¥5,808 million (\$44,000 thousand), a reversal of the legal reserve of ¥7,330 million (\$55,530 thousand) and a reversal of additional paid-in capital of ¥129,968 million (\$984,606 thousand). As a result, at June 26, 1998, the balance of consolidated accumulated deficit to be carried forward amounted to ¥35,160 million (\$266,363 thousand).

10. Amounts Per Share

Net loss per share has been computed based on the weighted average number of shares of common stock outstanding during each year.

| Year ended March 31, | Yen | | | U.S. dollars |
|----------------------|----------|---------|---------|--------------|
| | 1998 | 1997 | 1996 | 1998 |
| Net loss | ¥(35.37) | ¥(8.14) | ¥(5.11) | \$ (0.267) |

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

| March 31, | Yen | | U.S. dollars |
|------------|---------|---------|--------------|
| | 1998 | 1997 | 1998 |
| Net assets | ¥103.97 | ¥138.62 | \$0.787 |

11. Segment Information

The Company and its consolidated subsidiaries conduct worldwide operations in air transportation, hotel and resort operations, card and lease operations, travel services, trading and other airline-related business. This segmentation has been made for internal management purposes. Businesses other than the air

transportation business, hotel and resort operations, 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."

a. Business segment information

Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 1998, 1997 and 1996 is summarized as follows:

| Millions of yen | | | | | | | |
|---------------------------------|--------------------|-----------------------------|---------------------------|----------|------------|--|--------------|
| Year ended March 31, 1998 | Air transportation | Hotel and resort operations | Card and lease operations | Other | Total | General corporate assets and intercompany eliminations | Consolidated |
| Operating revenues | ¥1,174,343 | ¥ 58,683 | ¥ 15,132 | ¥333,399 | ¥1,581,559 | ¥ – | ¥ 1,581,559 |
| Intra-group sales and transfers | 98,614 | 4,948 | 30,653 | 174,914 | 309,130 | (309,130) | – |
| Total | 1,272,957 | 63,632 | 45,786 | 508,313 | 1,890,690 | (309,130) | 1,581,559 |
| Operating expenses | 1,239,157 | 61,663 | 43,932 | 501,837 | 1,846,591 | (305,214) | 1,541,376 |
| Operating income | ¥ 33,800 | ¥ 1,969 | ¥ 1,853 | ¥ 6,476 | ¥ 44,099 | ¥ (3,916) | ¥ 40,182 |
| Depreciation | ¥ 60,763 | ¥ 7,701 | ¥ 10,407 | ¥ 4,787 | ¥ 83,660 | ¥ (933) | ¥ 82,726 |
| Capital expenditures | ¥ 118,135 | ¥ 2,950 | ¥ 19,289 | ¥ 2,639 | ¥ 143,015 | ¥ (154) | ¥ 142,861 |
| Identifiable assets | ¥1,443,535 | ¥167,374 | ¥396,599 | ¥258,989 | ¥2,266,498 | ¥ (223,737) | ¥2,042,761 |

| Thousands of U.S. dollars | | | | | | | |
|---------------------------------|--------------------|-----------------------------|---------------------------|-------------|--------------|--|--------------|
| Year ended March 31, 1998 | Air transportation | Hotel and resort operations | Card and lease operations | Other | Total | General corporate assets and intercompany eliminations | Consolidated |
| Operating revenues | \$ 8,896,537 | \$ 444,568 | \$ 114,636 | \$2,525,750 | \$11,981,507 | \$ – | \$11,981,507 |
| Intra-group sales and transfers | 747,075 | 37,484 | 232,219 | 1,325,106 | 2,341,893 | (2,341,893) | – |
| Total | 9,643,613 | 482,060 | 346,863 | 3,850,856 | 14,323,409 | (2,341,893) | 11,981,507 |
| Operating expenses | 9,387,553 | 467,143 | 332,818 | 3,801,795 | 13,989,325 | (2,312,227) | 11,677,090 |
| Operating income | \$ 256,060 | \$ 14,916 | \$ 14,037 | \$ 49,060 | \$ 334,083 | \$ (29,666) | \$ 304,409 |
| Depreciation | \$ 460,325 | \$ 58,340 | \$ 78,840 | \$ 36,265 | \$ 633,787 | \$ (7,068) | \$ 626,712 |
| Capital expenditures | \$ 894,962 | \$ 22,348 | \$ 146,128 | \$ 19,992 | \$ 1,083,446 | \$ (1,166) | \$ 1,082,280 |
| Identifiable assets | \$10,935,871 | \$1,267,984 | \$3,004,537 | \$1,962,037 | \$17,170,439 | \$(1,694,977) | \$15,475,462 |

| Millions of yen | | | | | | | |
|---------------------------------|--------------------|-----------------------------|---------------------------|----------|------------|--|--------------|
| Year ended March 31, 1997 | Air transportation | Hotel and resort operations | Card and lease operations | Other | Total | General corporate assets and intercompany eliminations | Consolidated |
| Operating revenues | ¥1,146,382 | ¥ 59,972 | ¥ 15,179 | ¥345,598 | ¥1,567,133 | ¥ – | ¥1,567,133 |
| Intra-group sales and transfers | 102,372 | 4,630 | 27,636 | 175,428 | 310,068 | (310,068) | – |
| Total | 1,248,755 | 64,602 | 42,816 | 521,027 | 1,877,201 | (310,068) | 1,567,133 |
| Operating expenses | 1,242,406 | 62,303 | 41,162 | 518,241 | 1,864,114 | (306,812) | 1,557,301 |
| Operating income | ¥ 6,349 | ¥ 2,299 | ¥ 1,653 | ¥ 2,786 | ¥ 13,087 | ¥ (3,255) | ¥ 9,832 |
| Depreciation | ¥ 71,563 | ¥ 7,254 | ¥ 8,694 | ¥ 5,791 | ¥ 93,304 | ¥ (840) | ¥ 92,464 |
| Capital expenditures | ¥ 63,710 | ¥ 4,375 | ¥ 17,523 | ¥ 8,263 | ¥ 93,873 | ¥ (1,024) | ¥ 92,849 |
| Identifiable assets | ¥1,398,006 | ¥190,686 | ¥330,402 | ¥276,638 | ¥2,195,734 | ¥(145,110) | ¥2,050,623 |

Millions of yen

| Year ended March 31, 1996 | Air transportation | Hotel and resort operations | Card and lease operations | Other | Total | General corporate assets and intercompany eliminations | Consolidated |
|---------------------------------|--------------------|-----------------------------|---------------------------|----------|------------|--|--------------|
| Operating revenues | ¥1,067,351 | ¥ 52,503 | ¥ 11,586 | ¥317,599 | ¥1,449,041 | ¥ – | ¥1,449,041 |
| Intra-group sales and transfers | 97,502 | 4,529 | 29,094 | 158,666 | 289,793 | (289,793) | – |
| Total | 1,164,854 | 57,033 | 40,681 | 476,266 | 1,738,835 | (289,793) | 1,449,041 |
| Operating expenses | 1,148,191 | 57,667 | 39,586 | 472,373 | 1,717,819 | (286,092) | 1,431,726 |
| Operating income (loss) | ¥ 16,663 | ¥ (634) | ¥ 1,094 | ¥ 3,892 | ¥ 21,015 | ¥ (3,700) | ¥ 17,315 |
| Depreciation | ¥ 68,354 | ¥ 7,292 | ¥ 7,549 | ¥ 4,270 | ¥ 87,467 | ¥ (810) | ¥ 86,656 |
| Capital expenditures | ¥ 74,925 | ¥ 1,480 | ¥ 8,591 | ¥ 10,824 | ¥ 95,821 | ¥ – | ¥ 95,821 |
| Identifiable assets | ¥1,428,721 | ¥183,488 | ¥329,383 | ¥287,484 | ¥2,229,078 | ¥(118,024) | ¥2,111,053 |

b. Operating revenues from foreign operations

Operating revenues from foreign operations, which include international passenger and cargo services of the Company and two domestic subsidiaries, export sales of domestic subsidiaries, and sales of subsidiaries outside Japan, for the year ended March 31, 1998 were as follows:

| Year ended March 31, 1998 | Asia and Oceania | North and South America | Europe | Total |
|---|------------------|-------------------------|----------|------------|
| Operating revenues from foreign operations | ¥365,189 | ¥331,061 | ¥186,070 | ¥ 882,321 |
| Consolidated operating revenues | | | | ¥1,581,559 |
| Percentage of consolidated operating revenues | 23.1% | 20.9% | 11.8% | 55.8% |

| Year ended March 31, 1998 | Asia and Oceania | North and South America | Europe | Total |
|---|------------------|-------------------------|-------------|--------------|
| Operating revenues from foreign operations | \$2,766,583 | \$2,508,037 | \$1,409,621 | \$ 6,684,250 |
| Consolidated operating revenues | | | | \$11,981,507 |
| Percentage of consolidated operating revenues | 23.1% | 20.9% | 11.8% | 55.8% |

Operating revenues from foreign operations accounted for 56.4% and 55.6% of the total operating revenues for the years ended March 31, 1997 and 1996, respectively.

c. Geographic information

For the years ended March 31, 1998, 1997 and 1996, operating revenues from operations in Japan represented more than 90% of consolidated operating revenues. As a result, geographic information is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS
JAPAN AIRLINES COMPANY, LTD. AND CONSOLIDATED SUBSIDIARIES

To the Board of Directors of
JAPAN AIRLINES COMPANY, LTD.

We have examined the consolidated balance sheets of Japan Airlines Company, Ltd. and its consolidated subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 1998, all expressed in yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the financial position of Japan Airlines Company, Ltd. and its consolidated subsidiaries at March 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1998 in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1998 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Showa Ota & Co

June 26, 1998

NON-CONSOLIDATED BALANCE SHEETS

JAPAN AIRLINES COMPANY, LTD.
March 31, 1998 and 1997

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|--|-------------------|------------|--|
| | 1998 | 1997 | 1998 |
| Current assets: | | | |
| Cash and cash equivalents | ¥ 28,662 | ¥ 35,000 | \$ 217,136 |
| Time deposits | 19,930 | 33,550 | 150,984 |
| Marketable securities, at cost (Note 3) | 86,243 | 39,859 | 653,356 |
| Accounts receivable (Note 11): | | | |
| Trade (Note 8) | 85,176 | 96,814 | 645,272 |
| Subsidiaries and affiliates | 42,906 | 33,933 | 325,045 |
| Allowance for doubtful accounts | (589) | (587) | (4,462) |
| Flight equipment spare parts, at cost | 51,233 | 50,872 | 388,128 |
| Prepaid expenses and other | 71,818 | 70,764 | 544,075 |
| Total current assets | 385,382 | 360,207 | 2,919,560 |
| Investments and advances: | | | |
| Subsidiaries and affiliates | 122,253 | 171,797 | 926,159 |
| Others, at cost | 38,232 | 45,206 | 289,636 |
| Total investments and advances | 160,486 | 217,004 | 1,215,803 |
| Property and equipment (Notes 1, 4 and 8): | | | |
| Flight equipment | 1,319,460 | 1,295,297 | 9,995,909 |
| Ground property and equipment | 455,304 | 453,235 | 3,449,272 |
| | 1,774,765 | 1,748,532 | 13,445,189 |
| Accumulated depreciation | (954,428) | (928,909) | (7,230,515) |
| | 820,336 | 819,623 | 6,214,666 |
| Advances on aircraft purchases and other (Note 11) | 72,076 | 58,773 | 546,030 |
| Property and equipment, net | 892,413 | 878,396 | 6,760,704 |
| Housing loans to employees (Note 8) | 6,184 | 5,926 | 46,848 |
| Other assets | 27,867 | 31,731 | 211,113 |
| | ¥1,472,333 | ¥1,493,265 | \$11,154,037 |

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|-------------------|------------|--|
| LIABILITIES AND STOCKHOLDERS' EQUITY | 1998 | 1997 | 1998 |
| Current liabilities: | | | |
| Current portion of long-term debt (Notes 4 and 11) | ¥ 75,711 | ¥ 110,953 | \$ 573,568 |
| Accounts payable (Note 11): | | | |
| Trade | 131,820 | 128,786 | 998,636 |
| Construction | 9,150 | 8,855 | 69,318 |
| Subsidiaries and affiliates | 45,303 | 44,993 | 343,204 |
| Accrued expenses | 53,529 | 48,764 | 405,522 |
| Other | 79,251 | 84,687 | 600,386 |
| Total current liabilities | 394,767 | 427,041 | 2,990,659 |
| | | | |
| Long-term debt (Notes 4 and 11) | 749,160 | 663,573 | 5,675,454 |
| Accrued severance indemnities (Note 5) | 83,279 | 88,328 | 630,901 |
| | | | |
| Reserve for loss on investments in subsidiaries and affiliates | 24,994 | - | 189,348 |
| | | | |
| Commitments and contingent liabilities (Notes 7, 8 and 11) | | | |
| | | | |
| Stockholders' equity: | | | |
| Common stock, ¥50 par value: | | | |
| Authorized: 6,000,000,000 shares | | | |
| Issued: 1,778,943,439 shares | 188,323 | 188,323 | 1,426,689 |
| Additional paid-in capital | 161,776 | 161,776 | 1,225,575 |
| Legal reserve (Note 6) | 7,330 | 7,330 | 55,530 |
| Deficit (Note 9) | (137,298) | (43,108) | (1,040,136) |
| Total stockholders' equity | 220,132 | 314,321 | 1,667,666 |
| | ¥1,472,333 | ¥1,493,265 | \$11,154,037 |

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

JAPAN AIRLINES COMPANY, LTD.

For the Years Ended March 31, 1998, 1997 and 1996

| | Millions of yen | | | Thousands of U.S. dollars (Note 2) |
|---|-------------------|------------------|------------------|--|
| | 1998 | 1997 | 1996 | 1998 |
| Operating revenues: | | | | |
| Passenger: | | | | |
| Domestic | ¥ 293,364 | ¥ 287,948 | ¥ 279,991 | \$2,222,454 |
| International | 624,469 | 625,961 | 579,138 | 4,730,825 |
| Cargo: | | | | |
| Domestic | 28,046 | 28,808 | 27,837 | 212,469 |
| International | 150,214 | 139,602 | 124,132 | 1,137,984 |
| Incidentals and other | 123,611 | 113,012 | 104,831 | 936,446 |
| | 1,219,706 | 1,195,334 | 1,115,931 | 9,240,196 |
| Operating expenses (Note 7): | | | | |
| Flight operations | 349,068 | 331,663 | 289,173 | 2,644,454 |
| Maintenance | 94,486 | 96,664 | 92,454 | 715,803 |
| Passenger services | 143,456 | 145,157 | 139,974 | 1,086,787 |
| Aircraft and traffic servicing | 238,547 | 243,684 | 234,929 | 1,807,174 |
| Sales and advertising | 191,953 | 192,293 | 170,886 | 1,454,189 |
| General and administrative | 38,402 | 39,294 | 37,830 | 290,924 |
| Depreciation and amortization | 62,672 | 75,172 | 72,971 | 474,787 |
| Cost of incidentals and other | 70,115 | 66,846 | 62,308 | 531,174 |
| | 1,188,702 | 1,190,777 | 1,100,527 | 9,005,318 |
| Operating income | 31,003 | 4,556 | 15,403 | 234,871 |
| Non-operating income (expenses): | | | | |
| Interest and dividend income | 4,739 | 6,962 | 5,591 | 35,901 |
| Interest expense | (35,115) | (36,302) | (41,419) | (266,022) |
| Exchange gains (losses), net | (232) | 2,632 | 3,812 | (1,757) |
| Aircraft purchase incentives | 6,642 | 5,725 | 3,323 | 50,318 |
| Gain on sales of marketable securities | 188 | 4,538 | 106 | 1,424 |
| Gain on sales of aircraft | 3,259 | 34 | 18,782 | 24,689 |
| Gain on sales of ground property | 11,696 | 17,063 | 205 | 88,606 |
| Special termination benefits (Note 5) | (15,203) | (4,810) | (1,010) | (115,174) |
| Loss on disposal of fixed assets | (858) | (6,695) | (1,730) | (6,500) |
| Loss on liquidation of operations of subsidiaries and affiliates | (366) | (1,108) | (1,311) | (2,772) |
| Loss on revaluation of investments in subsidiaries and affiliates | (72,053) | - | - | (545,856) |
| Provision for reserve for loss on investments in subsidiaries and affiliates | (24,994) | - | - | (189,348) |
| Other, net | (2,793) | (1,536) | (1,164) | (21,159) |
| | (125,091) | (13,496) | (14,815) | (947,659) |
| (Loss) income before income taxes | (94,087) | (8,939) | 588 | (712,780) |
| Income taxes | 102 | 299 | 96 | 772 |
| Net (loss) income | ¥ (94,189) | ¥ (9,238) | ¥ 492 | \$ (713,553) |

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

JAPAN AIRLINES COMPANY, LTD.

For the Years Ended March 31, 1998, 1997 and 1996

| | Number of shares of common stock | Millions of yen | | | |
|--|--|-----------------|----------------------------------|------------------------------|---------------------|
| | | Common stock | Additional paid-in capital | Legal reserve (Note 6) | Deficit (Note 9) |
| Balance at March 31, 1995 | 1,778,943,439 | ¥188,323 | ¥161,776 | ¥7,330 | ¥ (34,362) |
| Net income for the year ended March 31, 1996 | | | | | 492 |
| Balance at March 31, 1996 | 1,778,943,439 | 188,323 | 161,776 | 7,330 | (33,869) |
| Net loss for the year ended March 31, 1997 | | | | | (9,238) |
| Balance at March 31, 1997 | 1,778,943,439 | 188,323 | 161,776 | 7,330 | (43,108) |
| Net loss for the year ended March 31, 1998 | | | | | (94,189) |
| Balance at March 31, 1998 | 1,778,943,439 | ¥188,323 | ¥161,776 | ¥7,330 | ¥(137,298) |

| | Thousands of U.S. dollars (Note 2) | | | |
|--|------------------------------------|----------------------------------|------------------------------|----------------------|
| | Common stock | Additional paid-in capital | Legal reserve (Note 6) | Deficit (Note 9) |
| Balance at March 31, 1997 | \$ 1,426,689 | \$ 1,225,575 | \$ 55,530 | \$ (326,575) |
| Net loss for the year ended March 31, 1998 | | | | (713,553) |
| Balance at March 31, 1998 | \$1,426,689 | \$1,225,575 | \$55,530 | \$(1,040,136) |

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

JAPAN AIRLINES COMPANY, LTD.

For the Years Ended March 31, 1998, 1997 and 1996

| | Millions of yen | | | Thousands of U.S. dollars (Note 2) |
|--|------------------|-----------------|------------------|--|
| | 1998 | 1997 | 1996 | 1998 |
| Operating activities | | | | |
| Net (loss) income | ¥ (94,189) | ¥ (9,238) | ¥ 492 | \$ (713,553) |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 66,171 | 78,707 | 72,971 | 501,295 |
| Net provision for severance indemnities | (5,049) | 1,688 | 2,673 | (38,250) |
| Loss on liquidation of operations of subsidiaries and affiliates | 191 | 146 | 1,311 | 1,446 |
| Loss on revaluation of investments in subsidiaries and affiliates | 72,053 | - | - | 545,856 |
| Provision for reserve for loss on investments in subsidiaries and affiliates | 24,994 | - | - | 189,348 |
| Gain on sales, disposal and revaluation of flight equipment spare parts, property and equipment | (10,700) | (10,092) | (15,322) | (81,060) |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 2,667 | 6,664 | (3,878) | 20,204 |
| Flight equipment spare parts, prepaid expenses and other | (1,890) | (13,380) | (27,884) | (14,318) |
| Accounts payable and accrued expenses | 4,812 | 20,220 | 24,666 | 36,454 |
| Net cash provided by operating activities | 59,060 | 74,715 | 55,029 | 447,424 |
| Investing activities | | | | |
| (Increase) decrease in time deposits and marketable securities | (48,688) | (7,486) | 103,729 | (368,848) |
| Additions to property and equipment | (83,661) | (56,056) | (68,080) | (633,795) |
| Proceeds from sales of property and equipment | 29,912 | 22,883 | 31,868 | 226,606 |
| (Increase) decrease in investments and advances | (2,606) | (4,165) | 6,205 | (19,742) |
| (Increase) decrease in housing loans to employees | (258) | (1,418) | 16,289 | (1,954) |
| (Increase) decrease in other assets | (6,838) | (8,850) | (18,676) | (51,803) |
| Other | (3,624) | (926) | (1,061) | (27,454) |
| Net cash (used in) provided by investing activities | (115,763) | (56,018) | 70,274 | (876,992) |
| Financing activities | | | | |
| Proceeds from long-term debt | 194,331 | 67,834 | 108,188 | 1,472,204 |
| Payments of long-term debt | (143,966) | (123,957) | (200,356) | (1,090,651) |
| Decrease in short-term bank loans | - | - | (25,590) | - |
| Dividends paid | - | - | (31) | - |
| Net cash provided by (used in) financing activities | 50,365 | (56,123) | (117,789) | 381,553 |
| Net (decrease) increase in cash and cash equivalents | (6,338) | (37,426) | 7,514 | (48,015) |
| Cash and cash equivalents at beginning of the year | 35,000 | 72,426 | 64,912 | 265,151 |
| Cash and cash equivalents at end of the year | ¥ 28,662 | ¥ 35,000 | ¥ 72,426 | \$ 217,136 |
| Supplemental disclosures of cash flow information | | | | |
| Cash paid during the year for: | | | | |
| Interest | ¥ 31,381 | ¥ 34,731 | ¥ 46,041 | \$ 237,734 |
| Income taxes | 626 | 494 | 889 | 4,742 |

The accompanying notes are an integral part of these statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

JAPAN AIRLINES COMPANY, LTD.
March 31, 1998

1. Summary of Significant Accounting Policies

The accompanying non-consolidated financial statements are prepared on the basis of the same accounting policies as those discussed in Note 1 to the consolidated financial statements except for the following policies:

a. Basis of presentation

The Company maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted in Japan. The accompanying non-consolidated financial statements have been compiled from the non-consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside Japan.

b. Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates (companies owned 20% to 50%) are stated at cost.

c. Reserve for loss on investments in subsidiaries and affiliates

The reserve for loss on investments in subsidiaries and affiliates is provided for the contingent losses which may be incurred in the termination of business at certain subsidiaries and affiliates.

d. Leases

The Company leases 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 Company, are accounted for as operating leases.

2. U.S. Dollar Amounts

The same method of translating yen amounts into U.S. dollar amounts as that described in Note 2 to the consolidated financial statements has been followed.

3. Marketable Securities

Marketable securities, which are stated at cost based on the moving average method at March 31, 1998 and 1997 consisted of the following:

| | 1998 | | | 1997 | | | 1998 | | |
|------------------------|----------------|----------------|------------------------|----------------|----------------|-----------------|------------------|------------------|------------------------|
| | Book value | Market value | Unrealized gain (loss) | Book value | Market value | Unrealized gain | Book value | Market value | Unrealized gain (loss) |
| Marketable securities: | | | | | | | | | |
| Stocks | ¥31,929 | ¥33,435 | ¥1,506 | ¥32,066 | ¥40,675 | ¥8,609 | \$241,886 | \$253,295 | \$11,409 |
| Bonds | 5,000 | 4,987 | (12) | — | — | — | 37,878 | 37,780 | (90) |
| | <u>36,929</u> | <u>¥38,423</u> | <u>¥1,494</u> | 32,066 | <u>¥40,675</u> | <u>¥8,609</u> | <u>279,765</u> | <u>\$291,083</u> | <u>\$11,318</u> |
| Other securities | <u>49,313</u> | | | <u>7,793</u> | | | <u>373,583</u> | | |
| | <u>¥86,243</u> | | | <u>¥39,859</u> | | | <u>\$653,356</u> | | |

Other securities represent those whose market value is not required to be disclosed.

4. Long-Term Debt

Long-term debt at March 31, 1998 and 1997 comprised the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|------------------|---------------------------|
| | 1998 | 1997 | 1998 |
| Bonds: | | | |
| Bonds in foreign currencies, guaranteed by the Japanese government, due 1998, with interest at 10.875% | ¥ 1,411 | ¥ 8,528 | \$ 10,689 |
| Bonds in U.S. dollars, due 2003, with interest at 6.625% | 26,845 | 26,845 | 203,371 |
| Euro-yen bonds, due 1998 to 2003, with interest from 4.0% to 6.9% and at a rate which varies according to LIBOR | 130,000 | 180,000 | 984,848 |
| Japanese yen bonds, due 2001 to 2010, with interest from 1.9% to 3.1% | 267,000 | 120,000 | 2,022,727 |
| Convertible bonds, due 1999 to 2005, with interest from 1.5% to 1.6% | 35,678 | 37,968 | 270,287 |
| Loans with collateral, due 1998 to 2013, with interest from 2.70% to 6.6% | 248,143 | 272,447 | 1,879,871 |
| Loans without collateral | 86,657 | 118,100 | 656,492 |
| Other | 29,136 | 10,638 | 220,727 |
| | <u>824,871</u> | <u>774,526</u> | <u>6,249,022</u> |
| Less current portion | <u>(75,711)</u> | <u>(110,953)</u> | <u>(573,568)</u> |
| | <u>¥749,160</u> | <u>¥663,573</u> | <u>\$5,675,454</u> |

See Note 3 to the consolidated financial statements with respect to convertible bonds.

The aggregate annual maturities of long-term debt subsequent to March 31, 1998 are as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 1999 | ¥ 75,711 | \$ 573,568 |
| 2000 | 72,815 | 551,628 |
| 2001 | 97,647 | 739,750 |
| 2002 | 102,644 | 777,606 |
| 2003 and thereafter | 476,054 | 3,606,469 |
| | <u>¥824,871</u> | <u>\$6,249,022</u> |

A summary of assets pledged as collateral for long-term debt at March 31, 1998 is as follows:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Flight equipment, net of accumulated depreciation | ¥304,345 | \$2,305,643 |
| Ground property and equipment, net of accumulated depreciation | 25,298 | 191,651 |
| | <u>¥329,643</u> | <u>\$2,497,295</u> |

See Note 3 to the consolidated financial statements with respect to the effective interest rates on certain foreign currency bonds, which resulted from hedging the bonds with cross-currency interest rate swaps.

5. Accrued Severance Indemnities

Charges to income for severance indemnities including special termination benefits for the years ended March 31, 1998, 1997 and 1996 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 1998 | 1997 | 1998 |
| | ¥28,556 | ¥17,005 | \$216,333 |

The unamortized balance of prior service cost of the pension plan at March 31, 1997, the most recent valuation date, was ¥46,071 million (\$349,022 thousand).

6. Legal Reserve

See Note 6 to the consolidated financial statements.

7. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 1998 and 1997, and the related depreciation expense and interest expense for the years ended March 31, 1998 and 1997, respectively, which would have been reflected in the balance sheets and the related statements of operations if capital lease accounting had been applied to the capital lease transactions currently accounted for as operating leases:

| | Millions of yen | | |
|-------------------------------|------------------|-------------------------------|-----------------|
| March 31, 1998 | Flight equipment | Ground property and equipment | Total |
| Acquisition costs | ¥422,462 | ¥38,724 | ¥461,186 |
| Less accumulated depreciation | 205,504 | 19,801 | 225,305 |
| Net book value | <u>¥216,957</u> | <u>¥18,923</u> | <u>¥235,880</u> |

| | Thousands of U.S. dollars | | |
|-------------------------------|---------------------------|-------------------------------|--------------------|
| March 31, 1998 | Flight equipment | Ground property and equipment | Total |
| Acquisition costs | \$3,200,469 | \$293,363 | \$3,493,833 |
| Less accumulated depreciation | 1,556,848 | 150,007 | 1,706,856 |
| Net book value | <u>\$1,643,613</u> | <u>\$143,356</u> | <u>\$1,786,969</u> |

| | Millions of yen | | |
|-------------------------------|------------------|-------------------------------|-----------------|
| March 31, 1997 | Flight equipment | Ground property and equipment | Total |
| Acquisition costs | ¥403,898 | ¥39,959 | ¥443,858 |
| Less accumulated depreciation | 172,581 | 16,698 | 189,280 |
| Net book value | <u>¥231,317</u> | <u>¥23,260</u> | <u>¥254,578</u> |

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------|-----------------|---------|---------------------------|
| Year ended March 31, | 1998 | 1997 | 1998 |
| Depreciation expense | ¥38,754 | ¥36,358 | \$293,590 |
| Interest expense | ¥13,102 | ¥13,582 | \$ 99,257 |

Lease expenses relating to capital lease transactions accounted for as operating leases amounted to ¥46,357 million (\$351,189 thousand) and ¥43,838 million for the years ended March 31, 1998 and 1997, respectively.

The present value of future rental expenses under capital leases accounted for as operating leases outstanding at March 31, 1998 and 1997 was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------|-----------------|----------|------------------------------|
| | 1998 | 1997 | 1998 |
| Within 1 year | ¥ 33,423 | ¥ 32,474 | \$ 253,204 |
| Over 1 year | 236,846 | 250,976 | 1,794,287 |
| | ¥270,269 | ¥283,451 | \$2,047,492 |

Future rental expenses under operating leases outstanding at March 31, 1998 and 1997 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------|-----------------|---------|------------------------------|
| | 1998 | 1997 | 1998 |
| Within 1 year | ¥ 9,855 | ¥12,138 | \$ 74,659 |
| Over 1 year | 38,431 | 31,070 | 291,143 |
| | ¥48,287 | ¥43,208 | \$365,810 |

8. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 1998 for purchases of property and equipment amounted to ¥578,836 million (\$4,385,121 thousand).

See Note 8 to the consolidated financial statements with respect to contingent liabilities under debt assumption agreements.

At March 31, 1998, contingent liabilities for guarantees, principally for subsidiaries, affiliates and employees, amounted to ¥22,974 million (\$174,045 thousand).

The Company has sold certain receivables and loans to banks. The outstanding balance of these receivables and loans sold at March 31, 1998 amounted to ¥67,658 million (\$512,560 thousand).

9. Elimination of Accumulated Deficit

The Company's accumulated deficit at March 31, 1998 consisted of the following:

| | Millions of yen | Thousands of U.S. dollars |
|-------------------------------------|--------------------|------------------------------|
| Reserve for special depreciation | ¥ 8,665 | \$ 65,643 |
| Special reserve | 5,808 | 44,000 |
| Accumulated deficit brought forward | (151,772) | (1,149,787) |
| | ¥(137,298) | \$ (1,040,136) |

A proposal for disposition of the accumulated deficit was approved at shareholders' meeting held on June 26, 1998. The deficit of ¥151,772 million (\$1,149,787 thousand) at March 31, 1998 was offset against a reversal of the reserve for special depreciation of ¥8,665 million (\$65,643 thousand), the special reserve

of ¥5,808 million (\$44,000 thousand), the legal reserve of ¥7,330 million (\$55,530 thousand) and a reversal of additional paid-in capital of ¥129,968 million (\$984,606 thousand). As a result, at June 26, 1998, the balance of accumulated deficit to be carried forward was zero.

10. Amounts Per Share

Amounts per share have been computed by the same method as that described in Note 10 to the consolidated financial statements and are summarized as follows:

| Year ended March 31, | Yen | | U.S. dollars |
|----------------------|----------|---------|------------------|
| | 1998 | 1997 | 1998 |
| Net (loss) income | ¥(52.95) | ¥(5.19) | ¥0.28 |
| | | | \$(0.401) |

| March 31, | Yen | | U.S. dollars |
|------------|---------|---------|--------------|
| | 1998 | 1997 | 1998 |
| Net assets | ¥123.74 | ¥176.69 | \$0.937 |

11. Derivatives and Hedging Activities

The Company has utilized forward exchange and options contracts to hedge certain foreign currency transactions related to foreign purchase commitments, principally of flight equipment, and foreign accounts receivable and payable on a consistent basis. The Company has also utilized interest-rate and currency swap agreements and foreign exchange contracts to minimize the impact of foreign exchange and interest-rate movements related to its outstanding debt on the Company's operating results. The Company

has also entered into a variety of swaps and options in its management of risk exposure related to the commodity prices of fuel.

The purpose of the Company's hedging activities in the form of forward exchange contracts, currency options and commodity derivatives is to protect the Company from the related market risks. In addition, the purpose of interest-rate and currency swap agreements is effectively to modify the characteristics of the interest and underlying principal of its outstanding debt.

The Company is exposed to certain market risks arising from its forward exchange contracts, swap agreements and written currency options. The Company is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the

currency, interest and commodity derivatives; however, the Company does not anticipate nonperformance by any of these counterparties, all of which are financial institutions with high bond credit.

At March 31, 1998 and 1997, the forward exchange contracts outstanding were as follows:

| | Millions of yen | | | | | |
|--|-----------------|---------------|-----------------|-----------------|--------------|-----------------|
| | 1998 | | | 1997 | | |
| | Notional amount | Market value | Unrealized gain | Notional amount | Market value | Unrealized gain |
| U.S. dollar forward exchange contracts | ¥6,907 | ¥7,520 | ¥612 | ¥13,583 | ¥14,426 | ¥843 |

The above amounts exclude contracts entered into in order to hedge receivables and payables denominated in foreign currencies which have been translated and reflected at the corresponding contracted rates in the accompanying balance sheets at March 31, 1998 and 1997.

At March 31, 1998 and 1997, the currency option agreements outstanding were as follows:

| | Millions of yen | | | | | | Thousands of U.S. dollars | | | |
|-----------------------------|------------------|------------------|--------------|------------------------|------------------|------------------|---------------------------|------------------|----------------|------------------------|
| | 1998 | | | | 1997 | | 1998 | | | |
| | Notional amounts | Carrying amounts | Market value | Unrealized gain (loss) | Notional amounts | Carrying amounts | Notional amounts | Carrying amounts | Market value | Unrealized gain (loss) |
| Written currency options: | | | | | | | | | | |
| Calls | ¥ - | ¥ - | ¥ - | ¥ - | ¥ 6,200 | ¥ 43 | \$ - | \$ - | \$ - | \$ - |
| Puts | 14,988 | 517 | 77 | 439 | 26,040 | 592 | 113,545 | 3,916 | 583 | 3,325 |
| | ¥14,988 | ¥517 | ¥ 77 | ¥439 | ¥32,240 | ¥635 | \$113,545 | \$3,916 | \$ 583 | \$3,325 |
| Purchased currency options: | | | | | | | | | | |
| Calls | ¥15,572 | ¥371 | ¥917 | ¥545 | ¥27,280 | ¥477 | \$117,969 | \$2,810 | \$6,946 | \$4,128 |
| Puts | 4,428 | 145 | 10 | (134) | 8,680 | 158 | 33,545 | 1,098 | 75 | (1,015) |
| | ¥20,000 | ¥517 | ¥927 | ¥411 | ¥35,960 | ¥635 | \$151,515 | \$3,916 | \$7,022 | \$3,113 |

At March 31, 1998 and 1997, interest rates were effectively converted on the following notional principal amounts:

| | Millions of yen | | | Thousands of U.S. dollars | |
|--|------------------|------------------------|------------------|---------------------------|------------------------|
| | 1998 | | 1997 | 1998 | |
| | Notional amounts | Unrealized gain (loss) | Notional amounts | Notional amounts | Unrealized gain (loss) |
| Interest-rate swap agreements: | | | | | |
| Fixed-rate into variable-rate obligations | ¥20,000 | ¥ 1,880 | ¥20,000 | \$151,515 | \$ 14,242 |
| Variable-rate into fixed-rate obligations | ¥60,000 | ¥(5,443) | ¥60,000 | \$454,545 | \$(41,234) |
| Variable-rate into different variable-rate indexed obligations | ¥ - | ¥ - | ¥30,000 | \$ - | \$ - |

The above amounts exclude swap agreements entered into in order to hedge the principal amounts of outstanding debt and the related interest denominated in foreign currencies, which have been translated and reflected at the corresponding swap rates in the accompanying balance sheets at March 31, 1998 and 1997.

At March 31, 1998 and 1997, the carrying amounts and notional amounts of fuel price commodity derivatives were as follows:

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|------------------------------------|------------------|------------------|-----------------|------------------|------------------|------------------|---------------------------|-------------------|--|
| | 1998 | | | 1997 | | | 1998 | | |
| | Notional amounts | Carrying amounts | Unrealized loss | Notional amounts | Carrying amounts | Notional amounts | Carrying amounts | Unrealized loss | |
| Fuel price swaps | ¥13,408 | ¥ - | ¥(3,113) | ¥17,236 | ¥ - | \$101,575 | \$ - | \$(23,583) | |
| Fuel price protection arrangements | ¥ 3,424 | ¥ - | ¥ (224) | ¥ 390 | ¥ 6 | \$ 25,939 | \$ - | \$ (1,696) | |

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS
JAPAN AIRLINES COMPANY, LTD.

To the Board of Directors of
JAPAN AIRLINES COMPANY, LTD.

We have examined the non-consolidated balance sheets of Japan Airlines Company, Ltd. as of March 31, 1998 and 1997, and the related non-consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 1998, all expressed in yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the financial position of Japan Airlines Company, Ltd. at March 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 1998 in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 1998 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

June 26, 1998

Showa Ota & Co.

CONSOLIDATED SUBSIDIARIES

| <i>Company Name</i> | <i>Date of Establishment</i> | <i>Paid-in Capital</i> | <i>JAL's Equity Ownership</i> | <i>Principal Business</i> |
|--|------------------------------|------------------------|-------------------------------|---|
| Japan Asia Airways Co., Ltd. | August 8, 1975 | ¥4,310 million | 90.5% | Air transport |
| JAL Leasing Co., Ltd. | July 25, 1988 | ¥1,000 million | 100.0* | Leasing |
| JAL Card Inc. | October 30, 1984 | ¥400 million | 100.0* | Credit card services |
| JAL Construction Co., Ltd. | June 1, 1976 | ¥180 million | 100.0* | Construction |
| JAL Finance Corp. | April 8, 1988 | ¥1,000 million | 100.0 | Financing services |
| JAL Information Technology Co., Ltd. | August 26, 1978 | ¥702 million | 92.5 | Development, operation, and maintenance of information processing systems |
| Airport Ground Service Co., Ltd. | March 1, 1957 | ¥720 million | 87.5* | Ground support services |
| JALPAK Co., Ltd. | April 4, 1969 | ¥900 million | 75.9* | Planning and marketing of "I'll" and other package tours |
| JAL Trading Inc. | March 28, 1962 | ¥2,398 million | 69.5 | Wholesale and retail sales; agent for property, casualty, and other insurance |
| JALSTORY Co., Ltd. | October 9, 1976 | ¥35 million | 70.0 | Planning and marketing of "JALSTORY" and other package tours |
| JAL Hotels Co., Ltd. | July 1, 1970 | ¥12,000 million | 67.1 | Hotel management for JAL Group and other interests |
| Japan TransOcean Air Co., Ltd. | June 20, 1967 | ¥4,537 million | 51.1* | Air transport |
| JAL Cultural Development Co., Ltd. | August 1, 1988 | ¥100 million | 100.0 | Publishing |
| Airport Engineering & Service Co., Ltd. | September 11, 1958 | ¥315 million | 67.5* | Maintenance of special-purpose vehicles and equipment |
| Global Building Co., Ltd. | April 14, 1989 | ¥5,854 million | 100.0 | Real estate |
| AXESS International Network Inc. | July 1, 1991 | ¥700 million | 75.0 | CRS (Computer Reservation System) |
| JAL Logistics Inc. | March 28, 1970 | ¥144 million | 100.0* | Cargo services |
| JAL Business Service Co., Ltd. | November 8, 1979 | ¥100 million | 100.0* | Staff and office services |
| JAL Planning Co., Ltd. | March 1, 1985 | ¥72 million | 85.0* | Advertising and publications |
| Japan Air Charter Co., Ltd. | October 5, 1990 | ¥3,000 million | 82.2* | Air transport |
| Nikko Aviation Maintenance Co., Ltd. | April 1, 1988 | ¥40 million | 100.0* | Aircraft maintenance |
| JAL Maintenance Service Co., Ltd. | February 10, 1982 | ¥10 million | 100.0* | Aircraft maintenance |
| Airport Passenger Service Co., Ltd. | September 13, 1982 | ¥100 million | 99.0* | Ground support services |
| Okuma Beach Land Co., Ltd. | June 12, 1978 | ¥1,080 million | 94.4* | Hotel and restaurant business |
| JAL Avionics Co., Ltd. | July 1, 1988 | ¥40 million | 90.0* | Aircraft maintenance |
| Service Creation Inc. | December 25, 1989 | ¥30 million | 85.0* | Ground support services |
| JALTOS Co., Ltd. | October 14, 1982 | ¥50 million | 80.0* | Cargo services |
| Nansei Tourist Development Co., Ltd. | May 1, 1981 | ¥3,000 million | 76.1 | Hotel and restaurant business |
| JAL Aero Maintenance Co., Ltd. | April 1, 1983 | ¥20 million | 75.0* | Aircraft maintenance |
| Hotel Nikko Anupuri Co., Ltd. | November 5, 1984 | ¥2,200 million | 70.5* | Hotel and restaurant business |
| Japan Airport Ground Power Co., Ltd. | December 16, 1965 | ¥1,950 million | 67.2 | Ground support services |
| JAL/DFS Duty Free Shoppers Co., Ltd. | July 1, 1992 | ¥300 million | 60.0* | Sales of duty free items |
| Okinawa Fueling Facilities Co., Ltd. | November 1, 1974 | ¥100 million | 60.0* | Sales of aviation fuel |
| Okinawa Catering Service Co., Ltd. | April 5, 1975 | ¥25 million | 60.0* | In-flight catering services |
| Hokkaido Passenger Service Co., Ltd. | December 24, 1987 | ¥30 million | 55.0 | Ground support services |
| Nagoya International Service Co., Ltd. | March 5, 1984 | ¥30 million | 51.0* | Ground support services |
| Kyushu International Service Co., Ltd. | April 3, 1986 | ¥30 million | 51.0 | Ground support services |
| Kansai Passenger Service Co., Ltd. | January 26, 1988 | ¥30 million | 51.0 | Ground support services |
| Narita Nikko Hotel Co., Ltd. | November 24, 1977 | ¥470 million | 100.0* | Hotel and restaurant business |
| Hotel Nikko Osaka Co., Ltd. | December 10, 1980 | ¥100 million | 100.0* | Hotel and restaurant business |
| abc Sky-Partners Inc. | December 15, 1977 | ¥100 million | 51.0* | Passenger support services |
| Japan Airlines Development (U.S.A.), Inc. | November 21, 1983 | US\$1 | 100.0* | Hotel and restaurant business |
| Hotel Nikko of New York, Inc. | December 2, 1983 | US\$1,000 | 100.0* | Hotel and restaurant business |
| Pacific Fuel Trading Corporation | November 1, 1982 | US\$1 million | 100.0* | Sales of aviation fuel |
| Pacific World Corporation | October 24, 1989 | US\$300 | 100.0 | Investments in hotels and other enterprises |
| JAL Finance Europe B.V. | June 13, 1989 | NLG1.5 million | 100.0* | Financing services |
| JAL Leasing (U.S.A.), Inc. | September 12, 1989 | US\$1.2 million | 100.0* | Leasing |
| Hotel Nikko of San Francisco, Inc. | July 19, 1984 | US\$1,000 | 100.0* | Hotel and restaurant business |
| Hotel Nikko Saipan, Inc. | September 26, 1984 | US\$19 million | 80.5 | Hotel and restaurant business |
| JAL Flight Academy Co., Ltd. | August 8, 1989 | ¥1,850 million | 100.0 | Flight training and air transport |
| JAL Kansai Aircargo System Co., Ltd. | December 10, 1975 | ¥123 million | 53.4 | Cargo services |
| Japan Fuel Trading Co., Ltd. | November 16, 1988 | ¥25 million | 100.0 | Sales of aviation fuel |
| JAL PLAZA Co., Ltd. | December 1, 1988 | ¥50 million | 100.0* | Travel services and retail sales |

| | | | | |
|---|--------------------|------------------|--------|--|
| International In-Flight Catering Co., Ltd. | July 20, 1971 | US\$2.2 million | 56.7 | In-flight catering services |
| JAL Wing Co., Ltd. | June 1, 1992 | ¥50 million | 100.0* | Ground support services |
| International Catering Ltd. | October 14, 1982 | GBP4 million | 100.0 | In-flight catering services |
| Nikko In-Flight Catering Co., Ltd. | November 15, 1984 | US\$2.4 million | 83.3 | In-flight catering services |
| Japan Turbine Technologies Co., Ltd. | April 1, 1988 | ¥400 million | 51.0 | Aircraft maintenance |
| JAL PLUS Co., Ltd. | November 16, 1988 | ¥50 million | 100.0 | Ground support services |
| JAL Engine Technologies Co., Ltd. | October 1, 1988 | ¥350 million | 100.0 | Aircraft services |
| Jupiter Air Limited | May 17, 1983 | HK\$1 million | 80.0* | Cargo services |
| JAL Component Technology Co., Ltd. | June 1, 1990 | ¥50 million | 100.0 | Aircraft maintenance |
| JAL Sky Hakodate Co., Ltd. | May 9, 1989 | ¥50 million | 65.0* | Ground support services |
| BENKAY (U.S.A.), Inc. | February 6, 1986 | US\$1,000 | 100.0* | Management and operation of restaurant |
| Hotel Nikko of Honolulu, Inc. | August 21, 1984 | US\$1,000 | 100.0* | Hotel and restaurant business |
| Hotel Nikko of Atlanta, Inc. | July 13, 1988 | US\$1 | 100.0* | Hotel and restaurant business |
| Hotel Nikko of Beverly Park, Inc. | December 7, 1989 | US\$1,000 | 100.0* | Hotel and restaurant business |
| Hotel Nikko of Chicago, Inc. | November 30, 1985 | US\$100 | 100.0* | Hotel and restaurant business |
| Hotel Nikko de Paris S.A. | June 26, 1973 | FRF210 million | 98.3* | Hotel and restaurant business |
| Shuri Kanko Co., Ltd. | December 10, 1969 | ¥1,116 million | 57.8 | Hotel and restaurant business |
| Ihilani Resort, Inc. | January 1, 1993 | US\$1,000 | 100.0* | Hotel and restaurant business |
| KGC Management, Inc. | January 1, 1993 | US\$1,000 | 100.0* | Management of Ko Olina Golf Club |
| Alive Insurance Pte., Ltd. | April 26, 1989 | US\$2 million | 100.0 | Insurance services |
| JAL Capital Corporation | September 4, 1992 | US\$20 | 100.0* | Financing services |
| JF Carib A.E.C. | August 31, 1990 | US\$1 | 100.0* | Financing services |
| JAL Trading Americas, Inc. | April 26, 1982 | US\$5 million | 100.0* | Trading and leasing |
| JAL Academy Co., Ltd. | June 10, 1985 | ¥240 million | 100.0 | Human resource development and training |
| Hiroshima Catering Co., Ltd. | November 30, 1992 | ¥100 million | 55.0* | In-flight catering services |
| Avix Nagasaki Co., Ltd. | December 23, 1987 | ¥50 million | 51.0 | Ground support services |
| Fukushima International Service Co., Ltd. | September 21, 1992 | ¥30 million | 80.0* | Ground support services |
| Kansai Airport Ground Service Co., Ltd. | April 14, 1989 | ¥120 million | 100.0* | Ground support services |
| Nihon Service Co., Ltd. | November 11, 1969 | ¥12 million | 57.5* | Ground support services |
| Pacific Air Service Co., Ltd. | October 10, 1967 | ¥48 million | 74.9* | Travel services |
| Asia Creative Tours Co., Ltd. | October 14, 1975 | ¥50 million | 100.0* | Planning and marketing of package tours |
| Creative Service Co., Ltd. | July 1, 1987 | ¥90 million | 100.0* | Travel services |
| Japan Air Lines Hotel Co., Ltd. | February 7, 1958 | ¥572 million | 99.5* | Hotel and restaurant business |
| Pan Pacific Hoteliers, Inc. | April 18, 1978 | US\$158 million | 100.0 | Hotel and restaurant business |
| Nikko Hotels (U.K.) Ltd. | May 24, 1985 | GBP22 million | 100.0* | Hotel and restaurant business |
| Cocos Lagoon Development Corporation | January 17, 1976 | US\$21 million | 100.0* | Resort and restaurant business |
| P.T. Pantara Wisata Jaya | July 28, 1986 | IDR4,163 million | 80.0 | Hotel and restaurant business |
| Tomakomai Ryokka Kaihatsu Co., Ltd. | April 10, 1989 | ¥50 million | 51.0 | Management of Tomakomai Country Club Brooks Course |
| Tropical Plaza, Ltd. | May 12, 1989 | US\$19 million | 100.0 | Management and operation of shopping center |
| Hotel Nikko (U.S.A.), Inc. | July 18, 1984 | US\$1 | 100.0* | Hotel and restaurant business |
| Official Filing Co., Ltd. | February 10, 1984 | ¥10 million | 87.0* | Publishing |
| Pacific Business Base, Inc. | October 20, 1989 | US\$400 | 100.0 | Investments |
| AGS Commerce Co., Ltd. | April 2, 1981 | ¥48 million | 54.2* | Trading and travel services |
| Nansei Marketing and Distribution Planning Co., Ltd. | July 1, 1985 | ¥20 million | 74.5* | Travel services and retail sales |
| JAL Trading U.K. Ltd. | April 13, 1972 | GBP500,000 | 100.0* | Retail sales |
| Japan Airlines Management Corp. | October 20, 1989 | US\$93 | 100.0* | Real estate |
| Nansei Computer and Communication System Development Co., Ltd. | April 16, 1984 | ¥50 million | 84.0* | Development, operation and maintenance of information processing systems |
| Okinawa Free Zone Trading Co., Ltd. | July 8, 1988 | ¥20 million | 95.0* | Wholesale |
| Essex House Real Estate Corp. | July 15, 1981 | US\$1,000 | 100.0* | Real estate |
| JAL Royal Catering Co., Ltd. | January 28, 1992 | ¥2,000 million | 51.0 | In-flight catering services |
| J Air Co., Ltd. | August 8, 1996 | ¥200 million | 100.0 | Air transport |
| Hotel New Nikko de Paris. S.A.S. | June 5, 1996 | FRF10 million | 100.0 | Hotel and restaurant business |
| Hotel Nikko Shanghai Investment Corporation | April 12, 1985 | ¥2,320 million | 56.2 | Investments in hotels and other enterprises |
| Hotel Nikko Longbai Shanghai | May 27, 1985 | CNY71 million | 100.0 | Hotel and restaurant business |
| JAL Sunlight Co., Ltd. | November 15, 1995 | ¥30 million | 100.0 | Staff and office services |
| JLCOS Company, Ltd. | May 8, 1997 | ¥20 million | 100.0 | Reservation center |

*Includes holdings of the parent company and those of subsidiaries and affiliates.

Note: Effective the fiscal year ended March 31, 1998 the following company was made a consolidated subsidiary: JLCOS Company, Ltd.

(As of March 31, 1998)

JAL AND ITS SUBSIDIARIES AND AFFILIATES

Air Transport

- JAPAN AIRLINES CO., LTD.
- JAPAN ASIA AIRWAYS CO., LTD.
- JAPAN TRANSOCEAN AIR CO., LTD.
- JAPAN AIR CHARTER CO., LTD.
- JAPAN UNIVERSAL SYSTEM TRANSPORT CO., LTD.
- J AIR CO., LTD.
- RYUKYU AIR COMMUTER CO., LTD.
- JAL EXPRESS CO., LTD.

Air Cargo

- TOKYO AIR CARGO CITY TERMINAL CO., LTD.
- JALTOS CO., LTD.
- FACT INC.
- NISHINIHON AIR CARGO SERVICE CO., LTD.
- FUKUOKA AIR CARGO TERMINAL CO., LTD.
- FAIRWAY EXPRESS CO., LTD.
- LANOVAC INC.
- abc SKY-PARTNERS INC.
- JAL LOGISTICS INC.
- J-TRANS CO., LTD.
- JAL KANSAI AIRCARGO SYSTEM CO., LTD.
- GLOBAL LOGISTICS SYSTEM ASIA CO., LTD.
- GLOBAL LOGISTICS SYSTEM WORLDWIDE GmbH
- JUPITER AIR LIMITED
- JUPITER JAPAN CO., LTD.
- MERCURY INTERNATIONAL CO., LTD.
- JUPITER SINGAPORE PTE. LTD.
- SHEEN CHART LTD.
- JUPITER (U.K.) LIMITED
- JUPITER AIR (HONG KONG) LTD.
- JUPITER GROUND SERVICE LTD.
- JUPITER AIR (GERMANY) GmbH
- JUPITER AIR (OCEANIA) PTY., LTD.
- JUPICOM CO., LTD.
- JUPITER INTERNATIONAL CO., LTD.
- CONTACT MIDWEST INC.
- CONTACT AIR CARGO SERVICES, INC.
- U-FREIGHT JAPAN CO., LTD.
- DHL INTERNATIONAL LIMITED
- TRENDY AIR SERVICE SDN. BHD.
- F.B. ON BOARD COURIER SERVICES INC.
- SOUTHERN TRANSPORT SERVICES CO., LTD.
- REAL KEEN LTD.
- JUPITER AIR (CANADA) LTD.
- PAN JUPITER TRANSPORT CO., LTD.
- FLEETPAK ENTERPRISES PTE. LTD.
- WHOLESALE COURIER(S) PTE. LTD.
- COSCO JAPAN INTERNATIONAL AIRFREIGHT CO., LTD.
- INTEGRATED EXPRESS LIMITED
- JUPITER PACIFIC FORWARDING JOINT VENTURE CO., LTD.
- JUPITER AIR SERVICES (MALAYSIA) SDN. BHD.

Aircraft Maintenance

- JAL MAINTENANCE SERVICE CO., LTD.

- JAL ENGINE TECHNOLOGIES CO., LTD.
- JAL AVIONICS CO., LTD.
- NIKKO AVIATION MAINTENANCE CO., LTD.
- JAPAN TURBINE TECHNOLOGIES CO., LTD.
- JAL AERO MAINTENANCE CO., LTD.
- JAL COMPONENT TECHNOLOGY CO., LTD.

In-Flight Catering Services

- TFK CORPORATION
- NAGOYA AIR CATERING CO., LTD.
- AAS CATERING CO., LTD.
- OKINAWA CATERING SERVICE CO., LTD.
- CATE CO., LTD.
- NIKKO IN-FLIGHT CATERING CO., LTD.
- INTERNATIONAL IN-FLIGHT CATERING CO., LTD.
- INTERNATIONAL CATERING LTD.
- JAL ROYAL CATERING CO., LTD.
- HIROSHIMA CATERING CO., LTD.

Aircraft Fuels

- OSAKA HYDRANT CO., LTD.
- CHITOSE AIRPORT FUELING FACILITIES CO., LTD.
- OKINAWA FUELING FACILITIES CO., LTD.
- PACIFIC FUEL TRADING CORPORATION
- JAPAN FUEL TRADING CO., LTD.
- JAMAL INC.
- FUKUSHIMA AIRPORT FUELING FACILITIES CO., LTD.
- PACIFIC AIRCRAFT & AIRPORT SERVICE CO., LTD.
- SAGA AIRPORT FUELING FACILITIES CO., LTD.

Limousine Services

- TOKYO AIRPORT TRANSPORT SERVICE CO., LTD.
- OSAKA AIRPORT TRANSPORT CO., LTD.
- KANSAI AIRPORT TRANSPORTATION ENTERPRISE
- SOUTHERN AIRPORT KOTSU CO., LTD.

Airport-Related Services

- JAPAN AIRPORT GROUND POWER CO., LTD.
- AIRPORT ENGINEERING & SERVICE CO., LTD.
- FUKUOKA AEC CO., LTD.
- KUKO BOSAI CO., LTD.
- SHIMOJISHIMA AIRPORT FACILITIES CO., LTD.
- JAPAN SECURITY SUPPORT CO., LTD.
- AIRPORT GROUND SERVICE CO., LTD.
- KANSAI AIRPORT GROUND SERVICE CO., LTD.
- AIRPORT PASSENGER SERVICE CO., LTD.
- HOKKAIDO PASSENGER SERVICE CO., LTD.
- JAL SKY HAKODATE CO., LTD.
- NAGOYA INTERNATIONAL SERVICE CO., LTD.
- KANSAI PASSENGER SERVICE CO., LTD.
- JAL PLUS CO., LTD.
- KYUSHU INTERNATIONAL SERVICE CO., LTD.
- OKINAWA AIRPORT SERVICE CO., LTD.
- NEW CHITOSE AIRPORT SERVICE CO., LTD.

- AVIX NAGASAKI CO., LTD.
- SERVICE CREATION INC.
- DAIWA AIRPORT SERVICE CO., LTD.
- KANTO KIGYO CO., LTD.
- JLCOS COMPANY, LTD.
- JAL PASSENGER SERVICES AMERICA, INC.
- JAL FRONTIER CO., LTD.
- JAL PLAZA CO., LTD.
- KYUSHU AIRPORT SERVICE CO., LTD.
- NISHINIHON AIRPORT SERVICE CO., LTD.
- NIHON SERVICE CO., LTD.
- TSURUYA KOGYO CO., LTD.
- AGP KANSAI CO., LTD.
- NAGOYA GROUND SERVICE CO., LTD.
- NARITA A.E.C. SERVICE CO., LTD.
- NJS COMPANY LTD.
- NISHINIHON PASSENGER SERVICE CO., LTD.
- AIRPORT AVIATION SERVICE CO., LTD.
- FUKUOKA TAS CORPORATION
- AZUMA KOTSU CO., LTD.
- AGP DEVELOPMENT CO., LTD.
- JAL WING CO., LTD.
- FUKUSHIMA INTERNATIONAL SERVICE CO., LTD.
- SUN MAINTENANCE CO., LTD.
- ADVANCE MANAGEMENT, INC.
- JAPAN GROUND SERVICE CO., LTD.

Information Services

- JAL INFORMATION TECHNOLOGY CO., LTD.
- NANSEI COMPUTER AND COMMUNICATION SYSTEM DEVELOPMENT CO., LTD.
- AVIOCOM JAPAN CO., LTD.
- AVIONET (U.S.A.) LTD.
- AVIONET LEASING INC. (Los Angeles)
- AVIONET (H.K.) LTD.
- JAL AVIONET (EUROPE) LTD.
- JAL AVIONET SYSTEMS INC.
- AVIONET COMPUTER LTD.
- AVIONET LEASING LTD. (Hong Kong)
- AXESS INTERNATIONAL NETWORK INC.
- JAL AVIATION CONSULTING INC.
- AVIONET (THAILAND) CO., LTD.

Hotel and Travel Services

- JALPAK CO., LTD.
- ASIA CREATIVE TOURS CO., LTD.
- JALSTORY CO., LTD.
- NANSEI MARKETING AND DISTRIBUTION PLANNING CO., LTD.
- CREATIVE SERVICE CO., LTD.
- TROPICAL LAUNDRY AND LINEN SUPPLY CO., LTD.
- PALAU DEVELOPMENT CORP.
- PACIFICO CREATIVE SERVICE HAWAII INC.
- JAL HOTELS CO., LTD.
- HOTEL NIKKO ANNUPURI CO., LTD.
- NARITA NIKKO HOTEL CO., LTD.
- TOKYO BAY RESTAURANT CO., LTD.
- JAPAN AIR LINES HOTEL CO., LTD.

HOTEL NIKKO OSAKA CO., LTD.
 SHURI KANKO CO., LTD.
 SHURI RYUTSU CO., LTD.
 • OKUMA BEACH LAND CO., LTD.
 • NANSEI TOURIST DEVELOPMENT CO., LTD.
 NAHA GENERAL BUILDING SERVICE CO., LTD.
 • JIMNA LIMITED
 JAPAN AIR LINES DEVELOPMENT (U.S.A.), INC.
 HOTEL NIKKO (U.S.A.) INC.
 HOTEL NIKKO OF NEW YORK, INC.
 HOTEL NIKKO OF CHICAGO, INC.
 HOTEL NIKKO OF SAN FRANCISCO, INC.
 HOTEL NIKKO OF HONOLULU, INC.
 • PAN PACIFIC HOTELIERS, INC.
 HOTELS NIKKO S.A. DE C.V.
 • NIKKO HOTELS (U.K.) LTD.
 HOTEL NIKKO DE PARIS S.A.
 HOTEL NEW NIKKO DE PARIS S.A.
 JDC (PACIFIC) LTD.
 JAPAN AIRLINES DEVELOPMENT GmbH
 DÜSSELDORF
 • P.T. PANTARA WISATA JAYA
 NIKKO HOTELS AUSTRALIA PTY., LTD.
 • TNN GUAM INC.
 • COCOS LAGOON DEVELOPMENT
 CORPORATION
 • HOTEL NIKKO SAIPAN INC.
 HOTEL NIKKO MICRONESIA, INC.
 BENKAY (U.S.A.), INC.
 HOTEL NIKKO OF ATLANTA, INC.
 PACIFIC AIR SERVICE CO., LTD.
 ASIA CREATIVE TOURS HONG KONG LTD.
 • PACIFIC WORLD CORPORATION
 PACIFICO CREATIVE SERVICE INC.
 ORIENT DYNAMIC CO., LTD.
 • TOKYO HYUMANIA ENTERPRISE CO., LTD.
 HUAYA DEVELOPMENT CO., LTD.
 HOTEL NIKKO OF BEVERLY PARK INC.
 JAPAN TOURS SYSTEM CO., LTD.
 TOURISM ESSENTIALS INC.
 CREATIVE TOURS (SINGAPORE) PTE., LTD.
 IMPERIAL TRAVEL SERVICE INC.
 CREATIVE TOURS (THAILAND) CO., LTD.
 CREATIVE TOURS (EUROPE) B.V.
 JCT AUSTRALIA PTY., LTD.
 CREATIVE TOURS MICRONESIA, INC.
 INTERNATIONAL FOOD CO., LTD.
 CHITOSE INTERNATIONAL HOTEL CO., LTD.
 BLANCO VENDE LTD.
 • OVERSEAS AIR CARGO CO., LTD.
 HOTEL NIKKO SHANGHAI INVESTMENT CORP.
 HOTEL NIKKO LONGBAI SHANGHAI
 JDC GUAM INC.
 JHC GLOBAL SERVICE CO., LTD.
 J INTER CO., LTD.
 MICRONESIAN HOSPITALITY, INC.
 ORIENT NETWORK (INTERNATIONAL)
 PTE LTD.
 FOOD DESIGN INC.
 CREATIVE TOURS (ASIA) PTE LTD.

CREATIVE TRAVEL (TAIWAN) LTD.
 JAPAN TOUR SYSTEM KYUSHU CO., LTD.
 NIKKO HOTEL MANAGEMENT (THAILAND)
 CO., LTD.
 AIRPORT HOTEL MANAGEMENT CO., LTD.
 • MTJ DEVELOPMENT SDN. BHD.
 • VIEW WORLD COMPANY LIMITED
 • INDO JAPAN AIR SERVICES PVT. LTD.
 KGC MANAGEMENT, INC.
 IHILANI RESORT, INC.
 COCOS LAGOON UTILITY CORPORATION
 P.T. TAURINA TRAVEL JAYA
 NICCO LETTA

Leisure and Tourism Services

- J & N CRUISE PTE., LTD.
- JAPAN SUBMARINE TOURISM CO., LTD.
- TOMAKOMAI RYOKKA KAIHATSU CO., LTD.
- ASIA WINDS DEVELOPMENT CO., LTD.
- HIROKAWA RESORT TOWN CO., LTD.

Real Estate and Construction

- JAL CONSTRUCTION CO., LTD.
- GLOBAL BUILDING CO., LTD.
- GLOBAL REAL ESTATE U.S.A., INC.
- TROPICAL PLAZA, LTD.
- PACIFIC BUSINESS BASE, INC.
- JAPAN AIRLINES MANAGEMENT CORP.
- OCEAN CLUB DEVELOPMENT INC.
- TERMINAL ONE MANAGEMENT INC.
- ESSEX HOUSE REAL ESTATE CORP.
- KOKEN CO., LTD.

Technology Development

- HSST DEVELOPMENT CORPORATION

Financial Services

- JAL CARD INC.
- JAL FINANCE CORP.
- JAL LEASING CO., LTD.
- JAL FINANCE EUROPE B.V.
- JAL LEASING (U.S.A.), INC.
- ALIVE INSURANCE PTE., LTD.
- JF CARIB A.E.C. CO., LTD.
- HORIZONTAL LEASING CO., LTD.
- JL AIRCRAFT LEASING CO., LTD.
- JAL FSC LESSEE (NC) COMPANY, LTD.
- JAL FSC LESSEE (PB) COMPANY, LTD.
- JAL FSC LESSEE (PB2) COMPANY, LTD.
- AIMS LEASING CO., LTD.
- JAL LEASING ASSET MANAGEMENT CO., LTD.
- JAL LEASING (COOK) CO., LTD.
- FANS LEASING CO., LTD.
- FLAP LEASING CO., LTD.
- JAL LEASING (HONG KONG) CO., LIMITED
- JAL LEASING (NETHERLANDS) B.V.
- SCRUM JET LEASING CO., LTD.
- SLAT LEASING CO., LTD.
- STAR JET LEASING CO., LTD.
- TILLER LEASING CO., LTD.

- TRIPLE A LIMITED
- HIGH SKY LEASING CO., LTD.
- JET LINER LEASING CO., LTD.
- WING LET LEASING CO., LTD.
- RAM JET LEASING CO., LTD.
- JAL FSC LESSEE (NC2) COMPANY, LTD.
- JAL CAPITAL CORPORATION
- RUDDER LEASING CO., LTD.
- ACRES LEASING CO., LTD.
- JAL LEASING (CAYMAN) CO., LTD.
- JAL FSC LESSEE (CHI) COMPANY, LTD.
- HONEYCOMB LEASING CO., LTD.
- PYLON LEASING CO., LTD.
- PITOT LEASING CO., LTD.
- AILERON LEASING CO., LTD.
- FILLET LEASING CO., LTD.
- PULSEJET LEASING CO., LTD.

Trading

- JAL TRADING INC.
- OKINAWA FREE ZONE TRADING CO., LTD.
- JAL TRADING AMERICAS, INC.
- JAL TRADING (U.K.) LTD.
- JAL TRADING SINGAPORE PTE., LTD.
- JAL TRADING HAWAII LTD.
- AGS COMMERCE CO., LTD.
- JAL TRADING (H.K.) LTD.
- MARUYOSHI CO., LTD.
- TOKYO KINAI YOHIN SEISAKUSHO CO., LTD.
- AIR COMPONENT MAINTENANCE CO., LTD.
- TOKYO KOKU CLEANING CO., LTD.
- SANEI MAINTENANCE CO., LTD.
- NAUI ENTERPRISES INC.
- NORDIS CO., LTD.
- JAL TRADING SHOP SERVICE HOKKAIDO INC.
- JAL/DFS DUTY FREE SHOPPERS CO., LTD.
- JET FLESH THAILAND CO., LTD.

Cultural Activities and Publishing

- JAL BUSINESS SERVICE CO., LTD.
- JAL INTERNATIONAL SERVICE INC.
- JAL PLANNING CO., LTD.
- JAL CULTURAL DEVELOPMENT CO., LTD.
- JAL ACADEMY CO., LTD.
- OFFICIAL FILING CO., LTD.
- ASIA ADVERTISING CO., LTD.
- WINDS PUBLICATIONS CO., LTD.
- JAL SUNLIGHT CO., LTD.
- JAL FLIGHT ACADEMY CO., LTD.
- JAL BUSINESS SERVICE MINAMI KYUSHU
 CO., LTD.
- SINO ASIA CULTURE ENTERPRISE CORP.

Notes: Includes companies in which JAL directly or indirectly owns an equity interest of 20% or more.

- Indicates subsidiaries and affiliates in which JAL has direct equity investments.

DIRECTORY

JAPAN AIRLINES COMPANY, LTD.

AMSTERDAM

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Jozef Israelskade 48e
1072 SB Amsterdam, THE NETHERLANDS
Phone: 0900-747-7000
(Reservations & Information)

ATLANTA

Marquis One Tower Suite 2550,
245 Peachtree Center Avenue,
Atlanta, Georgia 30303, U.S.A.
Phone: 1-800-525-3663 (Reservations)
(404) 521-1616-8 (Sales)

BANGKOK

JAL Bldg., 254/1 Ratchadaphisek Road
Huaykwang, Bangkok, 10320, THAILAND
Phone: (02) 692-5151-65 (Reservations)
Suriwongse Road Ticket Office:
21st Floor, Wall Street Tower,
33/33-34 Suriwongse Road,
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Phone: (02) 234-9114-5 (Ticketing)

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Boston, Massachusetts 02116, U.S.A.
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BRUSSELS

Avenue Louise 283, Box 6,
1050 Brussels, BELGIUM
Phone: (02) 745-4400
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(02) 640-8580 (Sales)

CAIRO

Nile Hilton Hotel, Tahrir Square,
Cairo, EGYPT
Phone: (02) 5747233

CHICAGO

616 South Access Road, South Cargo Area Tower
B-3rd Floor, O'Hare International Airport
P.O. Box 66078 Chicago, 60666-0078 Illinois
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Phone: 1-800-525-3663 (Reservations)

CINCINNATI

36 East 4th St., Suite 801,
Cincinnati, Ohio 45202, U.S.A.
Phone: 1-800-525-3663 (Reservations)

COPENHAGEN

Nyropsgade, 47, 3 1602, Copenhagen V
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Phone: 7012-4700 (Reservations & Information)

DALIAN

14th Floor Senmao Bldg., 147 Zhongshan Road,
Xigang District, Dalian, P.R. of CHINA
Phone: (0411) 369-2525

DETROIT

3000 Town Center, Suite 710,
Southfield, Michigan 48075, U.S.A.
Phone: 1-800-525-3663 (Reservations)
1-800-553-4525 (Sales)

DUSSELDORF

2nd Floor, Deutsch-Japanisches Center,
Immermannstrasse 43B,
40210 Dusseldorf, GERMANY
Phone: 01802228700
(Reservations & Information)
(0211) 1679150 (Administration)

FRANKFURT

Rossmarkt 15,
60311 Frankfurt/Main 1, GERMANY
Phone: 01802228700
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(069) 13600 (Administration)

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42, Rue De Lausanne,
CH-1201 Geneva, SWITZERLAND
Phone: 0844-888-700
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GUAM

Guam International Airport,
Guam, U.S.A.
Phone: 642-6425-6 (Reservations & Ticketing)

HAMBURG

4th Floor, Spitalerstrasse 32,
20095 Hamburg, GERMANY
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(Reservations & Information)
(040) 3281000 (Administration)

HANOI

CTSC Bldg. 2nd Floor, 1 Ba Trieu St.,
Hanoi, VIETNAM
Phone: (4) 8266693 (Reservations)

HONG KONG

20th Floor, Gloucester Tower,
The Landmark, 11 Pedder St., Hong Kong S.A.R.,
P.R. of CHINA
Phone: 2523-0081 (Reservations)

HONOLULU

Waikiki Ticket Office:
Waikiki Business Plaza Bldg.,
2272 Kalakaua Ave.,
Honolulu, Hawaii 96815, U.S.A.
Phone: (808) 521-1441

999 Bishop St., Suite 1800,
Honolulu, Hawaii 96813, U.S.A.
Phone: 1-800-525-3663, (808) 521-1441
(Reservations)
(808) 544-8202 (Sales)

JAKARTA

Kyoei Prince Building Ground Floor, JL.,
Jenderal Sudirman, Kav. 3-4,
Jakarta, 10220 INDONESIA
Phone: (021) 572-3211 (Reservations)
(021) 572-3223 (Sales)
(021) 572-3227 (Ticketing)

KAOHSIUNG

Japan Asia Airways
Kaohsiung Chung-Cheng Bldg. 4F 2,
Chung-Cheng 3rd. Kaohsiung, Taiwan
Phone: (07) 223-1156

KONA

KONA INTERNATIONAL AIRPORT
AT KEAHOLE
P.O. Box 3300, Kailua-Kona, Hawaii 96745
Phone: 1-800-525-3663 (Reservations)

KUALA LUMPUR

Suite 20-03 Level 20 Menara Lion 165
Jalan Ampang, 50450 Kuala Lumpur,
MALAYSIA
Phone: (03) 2611722-6 (Reservations)
(03) 2611733/2611735-7 (Sales)

LONDON

Hanover Court, 5 Hanover Square,
London W1R 0DR, U.K.
Phone: (0345) 747-700
(Reservations & Information)

LOS ANGELES

300 N. Continental Blvd., Suite 401,
El Segundo CA 90245, U.S.A.
Phone: 1-800-525-3663
(Reservations & Ticketing)
(310) 607-2330 (Sales)

MADRID

C/ Luchana, 23 6-2
28010 Madrid, SPAIN
Phone: 9011-74770
(Reservations & Information)
(91) 594-0299 (Sales)

MANILA

Dusit Hotel Nikko, Ayala Center,
Makati Metro Manila, PHILIPPINES
Phone: (02) 812-1591-99 (Reservations)

MEXICO CITY

Paseo de la Reforma, 295,
06500 Mexico City, D.F. MEXICO
Phone: (5) 533-5515-9

MIAMI

Suite 2175, World Trade Center Bldg., 80 S.W.
8th St., Miami, Florida 33130, U.S.A.
Phone: 1-800-525-3663 (Reservations)
(305) 379-3823 (Sales)

MILAN

Via San Clemente 1, 20122 Milan, ITALY
Phone: 1-478-74700
(Reservations & Information)

MONTREAL

Suite 1702, Sun Life Bldg., 1155 Metcalfe St.,
Montreal, Quebec, H3B 2V9, CANADA
Phone: 1-800-525-3663 (Reservations)
(514) 393-1212 (Sales)

MOSCOW

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80335 Munich, GERMANY
Phone: 01802228700
(Reservations & Information)
(089) 553771 (Administration)

NEW YORK

655 5th Ave., New York, New York 10022,
U.S.A.
Phone: 1-800-525-3663 (Reservations)
(212) 310-1318 (Sales)

OSLO

1st Floor Dreyergarden Bldg. Fred Olsengade 5,
0152 Oslo, NORWAY
Phone: 810-74700
(Reservations & Information)

PARIS

1, Rond-Point des Champs Elysées,
Marcel Dassault, 75008 Paris, FRANCE
Phone: 0801-747-700
(Reservations & Information)
0144355525 (Administration)

PUSAN

6th Floor, Kookje Bldg.,
6-69 Jungang-Dong, Jung-Ku,
Pusan, KOREA
Phone: (051) 469-1215
(Reservations & Ticketing)

QINGDAO

Liu Ting Airport Qingdao

ROME

Rome Leonardo Da Vinci International Airport,
00050, Fiumicino, Rome, ITALY
Phone: 1-478-74700
(Reservations & Information)

SAIPAN

P.O. Box 469, Saipan, MP 96950, U.S.A.
Phone: 234-6553-4 (Reservations & Ticketing)

SAN FRANCISCO

5th Floor, Hotel Nikko San Francisco,
222 Mason St., Suite 508
San Francisco, California 94102, U.S.A.
Phone: 1-800-525-3663 (Reservations)
(415) 765-8555 (Sales)

SAO PAULO

Av. Paulista No. 542 2nd/3rd Ander Bela Vista,
Sao Paulo-SP., BRAZIL
Phone: (011) 251-5222 (Reservations)
(011) 288-9055 (Sales)

SEOUL

Paiknam Bldg., 188-3, Eulchi-Ro,
1-Ka Chung-Ku, Seoul, KOREA
Phone: (02) 757-1711 (Reservations)

SHANGHAI

Room 201, Shanghai Rui Jin Bldg.,
205 Mao Ming Nan Lu,
Shanghai, P. R. of CHINA
Phone: (021) 6472-3000
(Reservations & Ticketing)

SINGAPORE

16 Raffles Quay #03-01,
Hong Leong Bldg., Singapore 048581
Phone: 2210522

STOCKHOLM

5th Floor Kungsgatan 44
S-111 35, Stockholm, SWEDEN
Phone: (08) 4028600
(Reservations & Information)

SYDNEY

14th Floor Darling Park, 201 Sussex Street,
Sydney, NSW 2000, AUSTRALIA
Phone: (02) 9272-1111 (Reservations)
(02) 9272-1100 (Sales)

TAIPEI

Japan Asia Airways
IBM Bldg., No. 2, Tun Hua S. Rd., Taipei,
Taiwan
Phone: (02) 2776-5151

TAICHUNG

Japan Asia Airways
Enterprise Bldg. 4F No. 393 Sec 1, Taichung
Kang Rd., Taichung, Taiwan
Phone: (04) 321-7700

TIANJIN

1st Floor, Tianjin International Bldg.,
75 Nanjing Road, Tianjin, P.R. of CHINA
Phone: (010) 6513-0888 (Reservations)
(022) 2313-9766 (Ticketing)

TORONTO

21st Floor, 130 Adelaide St.
West Toronto, Ontario, CANADA M5H 3P5
Phone: 1-800-525-3663 (Reservations)
(416) 364-7229 (Sales)

VANCOUVER

7th Floor, 777 Hornby St.,
Vancouver, CANADA B.C., V6Z 1S4
Phone: 1-800-525-3663 (Reservations)
(604) 606-7715 (Sales)

VIENNA

Kärntnerstrasse 11/4 Stock Eingang:
Weihburggasse 2, A-1010 Vienna, AUSTRIA
Phone: (01) 5029-18888
(Reservations & Information)
(01) 512-7522 (Ticketing)

WASHINGTON, D.C.

1050 Connecticut Ave., N.W. Suite 200,
Washington, D.C. 20036, U.S.A.
Phone: 1-800-525-3663 (Reservations)
(202) 223-3310 (Sales)

YANGON

Room No. 1, FMI Centre, Ground Floor, No.
380 Bogyoke Aung San St., Pebedan Township,
Yangon, MYANMAR
Phone: (01) 243030

ZURICH

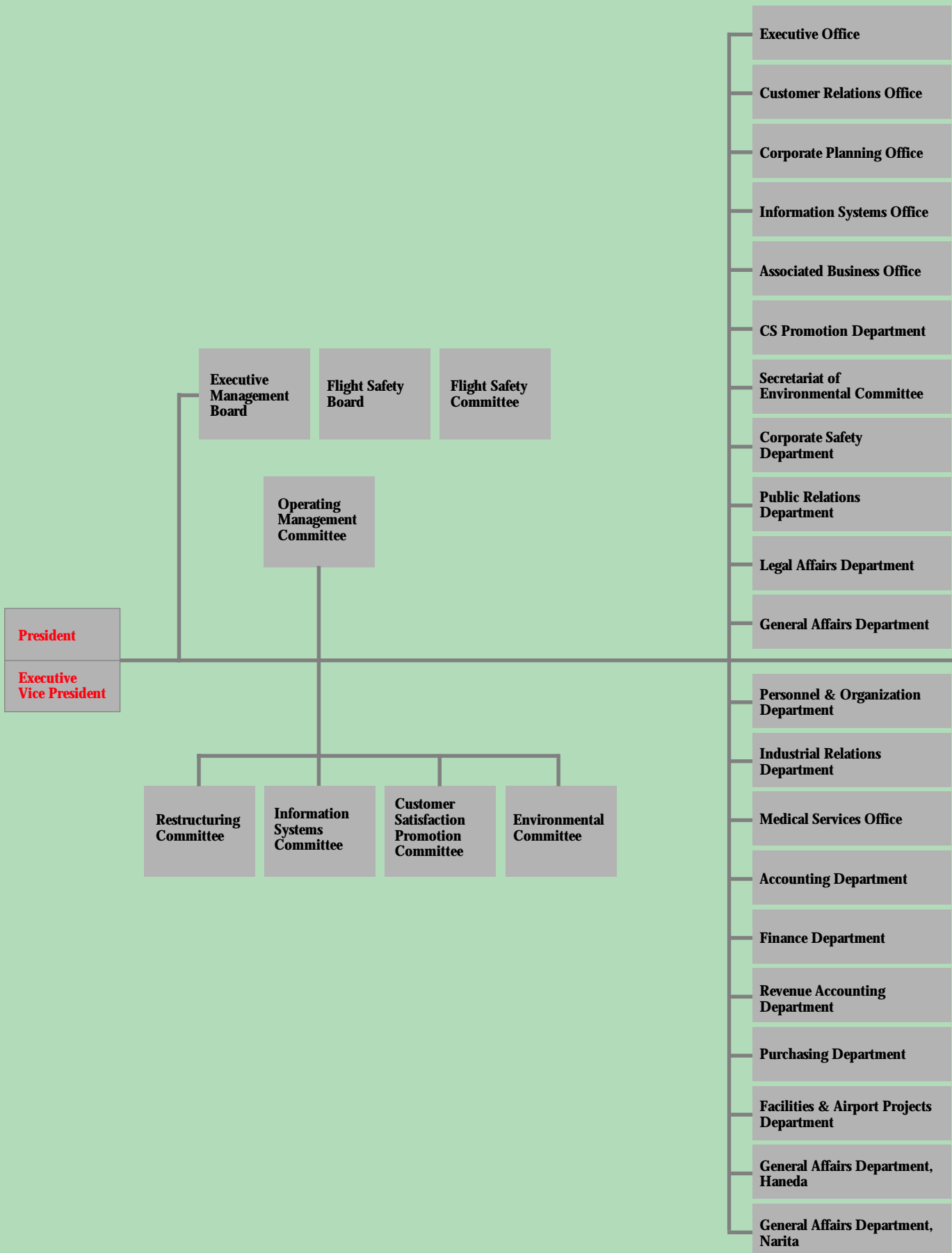
Pelikanstrasse 37,
CH-8001 Zurich, SWITZERLAND
Phone: 0844-888-700
(Reservations & Information)
(01) 211-1557 (Sales)

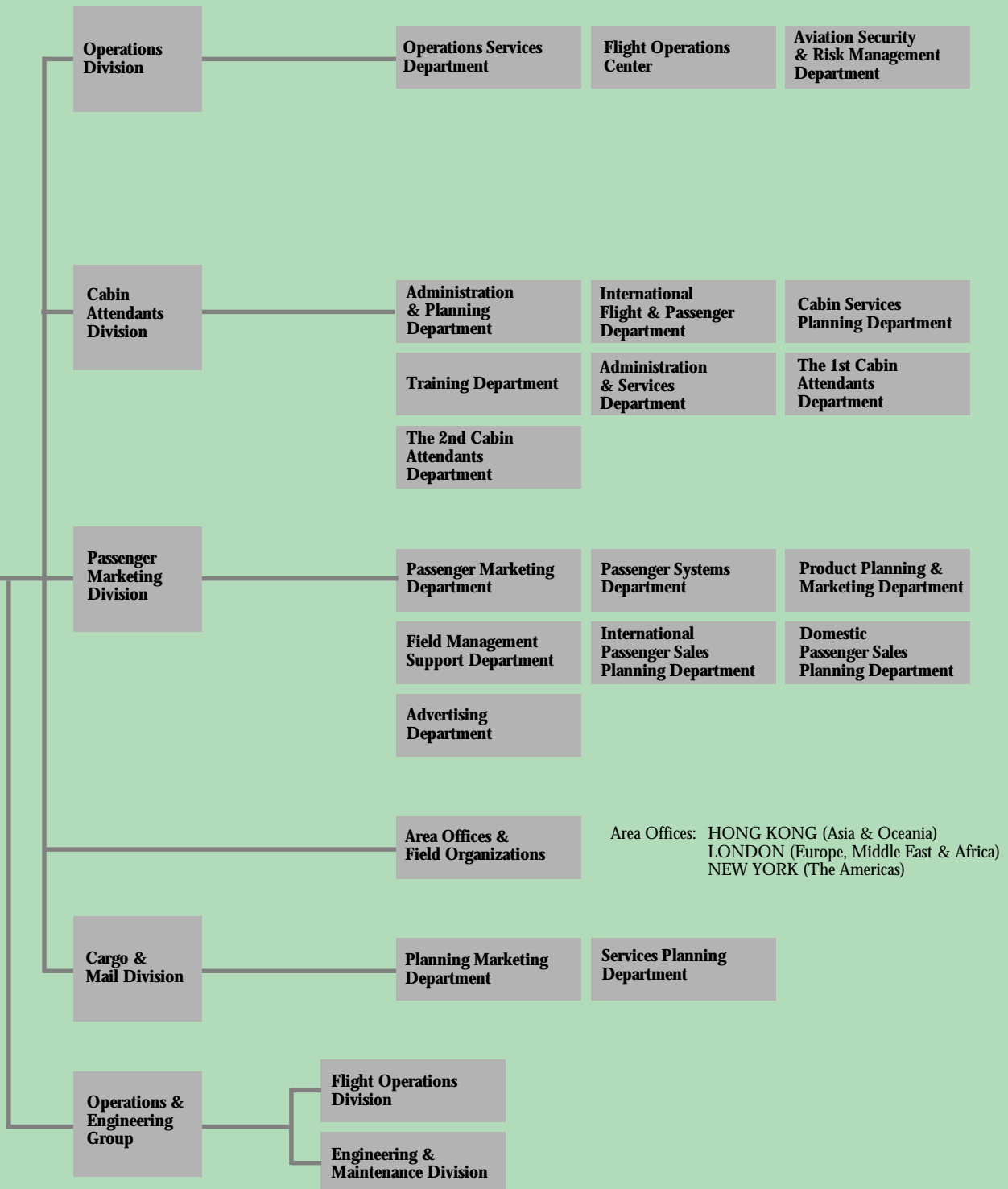
JAPAN

Head Office:
4-11, Higashi-shinagawa 2-chome, Shinagawa-ku,
Tokyo 140-8637, JAPAN
Toll-free general reservations:
0120-25-5931 (International)
0120-25-5971 (Domestic)

Tokyo
Sapporo
Memanbetsu
Obihiro
Kitami
Hakodate
Akita
Yamagata
Sendai
Fukushima
Utsunomiya
Omiya
Chiba
Yokohama
Hachioji
Niigata
Nagano
Shizuoka
Nagoya
Kanazawa
Kyoto
Osaka
Kobe
Okayama
Hiroshima
Takamatsu
Matsuyama
Kochi
Kitakyushu
Fukuoka
Nagasaki
Oita
Kumamoto
Miyazaki
Kagoshima
Okinawa

CORPORATE ORGANIZATION
 JAPAN AIRLINES COMPANY, LTD.





(As of June 26, 1998)

BOARD OF DIRECTORS
JAPAN AIRLINES COMPANY, LTD.

Isao Kaneko*

President
Chairman, Flight Safety Board
Chairman, Restructuring Committee
Chairman, CS Promotion Committee
Chairman, Business Activities
Reappraisal Committee

Akio Kohno*

Executive Vice President
Executive Officer,
• *Associated Business*
• *Industrial Relations*

Shinzo Suto*

Senior Managing Director
Executive Officer, Passenger Marketing

Yoshihiko Murata*

Senior Managing Director
Executive Officer,
Operations & Engineering Group
Senior Vice President,
Engineering & Maintenance Division
Chairman, Environmental Committee

Fumio Kuwano

Managing Director
Senior Vice President, Information Systems

Satoshi Hirano

Managing Director
Senior Vice President, CS Promotion

Yukio Ootani

Managing Director
Senior Vice President, CEO for The Americas

Zenta Yokoyama

Managing Director
Senior Vice President, Corporate Planning
Chairman, Information Systems Committee

Toshio Shiota

Managing Director
Senior Vice President & General Manager,
Western Japan
Senior Vice President & Regional Manger,
Osaka

Masahide Ochi

Managing Director
Executive Officer, Airport Projects
Senior Vice President,
• *Facilities & Airport Projects*
• *General Affairs, Haneda*
• *Legal Affairs*
• *Purchasing*

Yasushi Yuasa

Managing Director
Senior Vice President & General Manager,
Flight Operations Division
Senior Vice President & General Manager,
Medical Services

Yoichiro Takada

Chairman, Flight Safety Committee
Senior Vice President,
• *Flight Safety Board*
• *Environmental Committee*
• *Flight Operations Center*
• *Operations Services*
• *Aviation Security & Risk Management*

Toshiki Okazaki

Senior Vice President & General Manager,
Eastern Japan
Senior Vice President & Regional
Manager, Tokyo

Naotaka Shibuya

Senior Vice President & General Manager,
Narita Airport
Senior Vice President, General Affairs, Narita

Mamoru Ichikawa

Senior Vice President,
Cabin Attendants Division

Takeshi Ichinosawa

Senior Vice President & General Manager,
Hokkaido
Senior Vice President & Regional Manager,
Sapporo

Katsuo Haneda

Senior Vice President & Deputy Executive
Officer, Passenger Marketing (Product
Planning & Marketing, International
Passenger Sales Planning, Advertising)

Tatsuru Fukaya

Senior Vice President,
• *Accounting*
• *Finance*
• *Revenue Accounting*

Hiroyasu Hagio

Senior Vice President & Deputy General
Manager, Flight Operations Division

Takashi Masuko

Senior Vice President & Deputy Executive
Officer, Passenger Marketing (Passenger
Marketing, Passenger Systems, Field
Management Support, Domestic Passenger
Sales Planning)

Toshiyuki Shinmachi

Senior Vice President,
• *Executive Office*
• *Public Relations*

Kazunari Yashiro

Senior Vice President & Deputy General
Manager, Corporate Planning

Akihiko Kaji

Senior Vice President & General Manager,
Kyushu
Senior Vice President & Regional Manager,
Fukuoka

Tomio Ikeuchi

Senior Vice President & General Manager,
Europe, Middle East & Africa
Senior Vice President & Regional Manager,
London

Shigeyuki Mozume

Senior Vice President,
• *Associated Business*
• *General Affairs*
• *Customer Relations*

Nukuo Miura

Senior Vice President & Deputy General
Manager, Engineering &
Maintenance Division
Senior Vice President, Maintenance
Auditing Office

Hidekazu Nishizuka

Senior Vice President,
• *Personnel & Organization Administration*
• *Industrial Relations*
Senior Vice President & Deputy General
Manager, Medical Services

Yasukazu Nishimura

Senior Vice President, Cargo & Mail

Auditors of the Board

Sadao Hara

Shosuke Machida

* *Representative Director*

(As of August 26, 1998)

INVESTOR INFORMATION

Date of Foundation: August 1, 1951

Head Office: 4-11, Higashi-shinagawa 2-chome, Shinagawa-ku, Tokyo 140-8637, Japan
Phone: 03-5460-3191 Fax: 03-5460-5929

Domestic Offices: 23 offices in major cities, including Sapporo, Tokyo, Nagoya, Osaka, Fukuoka, and Naha

Overseas Offices: 40 offices in major cities, including New York, London, Paris, Moscow, Sydney, Beijing, and Hong Kong

Paid-in Capital: ¥188,323,835,984

Number of Shares of Common Stock:

| | |
|------------|----------------------|
| Authorized | 6,000,000,000 shares |
| Issued | 1,778,943,439 shares |

Floating Stock: 28.0%

Number of Stockholders: 224,012, including 476 non-Japanese

Major Stockholders:

| Name | Number of Shares Held (Thousands)/ Percentage of Total Shares Outstanding |
|--|--|
| Eitaro Itoyama | 53,400/3.0 |
| The Tokio Marine and Fire Insurance Co., Ltd. | 51,131/2.9 |
| The Industrial Bank of Japan, Limited | 49,811/2.8 |
| The Bank of Tokyo-Mitsubishi, Ltd. | 44,341/2.5 |
| Nippon Life Insurance Company | 44,277/2.5 |
| The Dowa Fire and Marine Insurance Co., Ltd. | 44,222/2.5 |
| Fukoku Mutual Life Insurance Company | 43,425/2.4 |
| The Yasuda Fire and Marine Insurance Co., Ltd. | 34,877/2.0 |
| The Dai-Ichi Kangyo Bank, Limited | 34,752/2.0 |
| Kokusai Kogyo Co., Ltd. | 34,627/1.9 |

Stock Listings: Tokyo, Osaka, and Nagoya stock exchanges; Depositary receipts traded through the NASDAQ System and SEAQ International

Fiscal Year-End: March 31

General Meeting of Stockholders: June

Stock Transfer Agent: The Toyo Trust & Banking Co., Ltd.

Share Handling Office: 10-11, Higashi-Suna 7-chome, Koto-ku, Tokyo 137-8081, Japan

Date for Confirmation of Stock Ownership: March 31

Newspaper for Public Notices: *Nihon Keizai Shimbun*

Auditor: Showa Ota & Co.



Japan Airlines Co., Ltd.

4-11, Higashi-shinagawa 2-chome, Shinagawa-ku, Tokyo 140-8637, Japan