

## Non-Consolidated Balance Sheets

Japan Airlines Company, Ltd.  
March 31, 2000 and 1999

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
<b>Current assets:</b>			
Cash and time deposits	¥ 72,361	¥ 31,364	\$ 682,650
Marketable securities, at cost	83,220	123,182	785,094
Accounts receivable:			
Trade (Note 6)	80,132	76,963	755,962
Subsidiaries and affiliates	43,741	41,022	412,650
Allowance for doubtful accounts	(376)	(595)	(3,547)
Flight equipment spare parts, at cost	54,627	54,259	515,349
Deferred income taxes (Note 3)	5,314	—	50,132
Prepaid expenses and other	53,362	59,869	503,415
<b>Total current assets</b>	<b>392,383</b>	<b>386,066</b>	<b>3,701,726</b>
<b>Investments and advances:</b>			
Subsidiaries and affiliates	133,669	154,063	1,261,028
Other, at cost	38,889	37,940	366,877
<b>Total investments and advances</b>	<b>172,559</b>	<b>192,004</b>	<b>1,627,915</b>
<b>Property and equipment</b> (Notes 1 and 6):			
Flight equipment	1,323,664	1,302,095	12,487,396
Ground property and equipment	453,008	458,501	4,273,660
	1,776,672	1,760,596	16,761,056
Accumulated depreciation	(933,013)	(943,315)	(8,802,009)
	843,659	817,281	7,959,047
Advances on aircraft purchases and other	6,374	44,732	60,132
<b>Property and equipment, net</b>	<b>850,033</b>	<b>862,014</b>	<b>8,019,179</b>
<b>Long-term loans</b> (Note 6)	<b>11,848</b>	<b>13,060</b>	<b>111,773</b>
<b>Deferred income taxes</b> (Note 3)	<b>433</b>	<b>—</b>	<b>4,084</b>
<b>Other assets</b>	<b>24,907</b>	<b>22,439</b>	<b>234,971</b>
	<b>¥1,452,166</b>	<b>¥1,475,584</b>	<b>\$13,699,679</b>

Liabilities and Stockholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
<b>Current liabilities:</b>			
Current portion of long-term debt	¥ 102,591	¥ 74,884	\$ 967,839
Accounts payable:			
Trade	99,647	109,613	940,066
Construction	7,831	8,486	73,877
Subsidiaries and affiliates	45,851	44,276	432,556
Accrued expenses	30,301	33,065	285,858
Accrued income taxes (Note 3)	55	250	518
Other	77,133	76,906	727,669
<b>Total current liabilities</b>	<b>363,413</b>	<b>347,484</b>	<b>3,428,424</b>
<b>Long-term debt</b>	<b>751,523</b>	<b>779,299</b>	<b>7,089,839</b>
<b>Accrued severance indemnities</b>	<b>81,931</b>	<b>82,676</b>	<b>772,933</b>
<b>Reserve for loss on investments in subsidiaries and affiliates</b>	<b>7,766</b>	<b>19,709</b>	<b>73,264</b>
<b>Commitments and contingent liabilities</b> (Notes 5 and 6)			
<b>Stockholders' equity:</b>			
Common stock, ¥50 par value:			
Authorized: 6,000,000,000 shares			
Issued: 1,778,943,439 shares	188,323	188,323	1,776,632
Additional paid-in capital	31,808	31,808	300,075
Legal reserve (Note 4)	534	—	5,037
Retained earnings	26,865	26,282	253,443
<b>Total stockholders' equity</b>	<b>247,531</b>	<b>246,415</b>	<b>2,335,198</b>
	<b>¥1,452,166</b>	<b>¥1,475,584</b>	<b>\$13,699,679</b>

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, 2000, 1999 and 1998

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2000	1999	1998	2000
<b>Operating revenues:</b>				
Passenger:				
Domestic	¥ 275,826	¥ 279,059	¥ 293,364	\$ 2,602,132
International	580,057	581,623	624,469	5,472,235
Cargo:				
Domestic	27,068	26,768	28,046	255,358
International	143,171	142,395	150,214	1,350,669
Incidental and other revenues	141,557	127,807	123,611	1,335,443
	<b>1,167,681</b>	<b>1,157,653</b>	<b>1,219,706</b>	<b>11,015,858</b>
<b>Operating expenses (Note 5):</b>				
Flight operations	322,591	317,436	349,068	3,043,311
Maintenance	95,989	96,330	94,486	905,556
Passenger services	137,859	137,867	143,456	1,300,556
Aircraft and traffic servicing	222,143	234,132	238,547	2,095,688
Sales and advertising	184,036	177,540	191,953	1,736,188
General and administrative	38,511	34,425	38,151	363,311
Depreciation and amortization	63,721	66,664	62,672	601,141
Cost of incidental and other expenses	74,072	68,436	70,115	698,792
	<b>1,138,926</b>	<b>1,132,833</b>	<b>1,188,451</b>	<b>10,744,584</b>
<b>Operating income</b>	<b>28,754</b>	<b>24,820</b>	<b>31,254</b>	<b>271,264</b>
<b>Non-operating income (expenses):</b>				
Interest and dividend income	4,481	8,145	4,739	42,273
Interest expense	(30,352)	(32,687)	(35,115)	(286,339)
Exchange loss, net	(4,701)	(2,596)	(232)	(44,349)
Aircraft purchase incentives	3,306	19,101	6,642	31,188
Gain on sales of marketable securities	4,903	0	146	46,254
Gain on sales of aircraft	6,370	15,366	3,259	60,094
Gain on sales of ground property and equipment	1,938	2,650	11,696	18,283
Gain on sales of investments in securities	23,400	3,765	42	220,754
Loss on disposal of fixed assets	(1,604)	(834)	(858)	(15,132)
Loss on revaluation of marketable securities	(324)	(2,819)	–	(3,056)
Loss on revaluation of investments in securities	(1,590)	–	–	(15,000)
Loss on investments in subsidiaries and affiliates	(16,830)	–	(72,053)	(158,773)
Provision for reserve for loss on investments in subsidiaries and affiliates	(7,511)	(2,529)	(24,994)	(70,858)
Special termination benefits	(6,052)	(5,414)	(15,203)	(57,094)
Loss on liquidation of operations of subsidiaries and affiliates	–	(167)	(366)	–
Other, net	(3,305)	373	(2,793)	(31,179)
	<b>(27,873)</b>	<b>2,353</b>	<b>(125,091)</b>	<b>(262,952)</b>
<b>Income (loss) before income taxes</b>	<b>881</b>	<b>27,173</b>	<b>(93,836)</b>	<b>8,311</b>
<b>Income taxes (Note 3):</b>				
Current	175	891	353	1,650
Deferred	6,362	–	–	60,018
<b>Net (loss) income</b>	<b>¥ (5,655)</b>	<b>¥ 26,282</b>	<b>¥ (94,189)</b>	<b>\$ (53,349)</b>

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, 2000, 1999 and 1998

	Number of shares of common stock	Millions of yen				Total
		Common stock	Additional paid-in capital	Legal reserve (Note 4)	Retained earnings (deficit)	
<b>Balance at March 31, 1997</b>	1,778,943,439	¥188,323	¥161,776	¥ 7,330	¥ (43,108)	¥314,321
Net loss for the year ended March 31, 1998					(94,189)	(94,189)
<b>Balance at March 31, 1998</b>	1,778,943,439	188,323	161,776	7,330	(137,298)	220,132
Net income for the year ended March 31, 1999					26,282	26,282
Elimination of accumulated deficit (Note 7)			(129,968)	(7,330)	137,298	–
<b>Balance at March 31, 1999</b>	1,778,943,439	188,323	31,808	–	26,282	246,415
Cumulative effect of adoption of tax-effect accounting (Note 3)					12,109	12,109
Net loss for the year ended March 31, 2000					(5,655)	(5,655)
Legal reserve					534	(534)
Cash dividends(¥3 per share)					–	–
<b>Balance at March 31, 2000</b>					(5,336)	(5,336)
	<b>1,778,943,439</b>	<b>¥188,323</b>	<b>¥ 31,808</b>	<b>¥ 534</b>	<b>¥ 26,865</b>	<b>¥247,531</b>

	Thousands of U.S. dollars (Note 2)				Total
	Common stock	Additional paid-in capital	Legal reserve (Note 4)	Retained earnings (deficit)	
<b>Balance at March 31, 1999</b>	\$ 1,776,632	\$ 300,075	\$ –	\$247,943	\$ 2,324,169
Cumulative effect of adoption of tax-effect accounting (Note 3)				114,235	114,235
Net loss for the year ended March 31, 2000				(53,349)	(53,349)
Legal reserve			5,037	(5,037)	–
Cash dividends(\$0.028 per share)				(50,339)	(50,339)
<b>Balance at March 31, 2000</b>	<b>\$1,776,632</b>	<b>\$300,075</b>	<b>\$5,037</b>	<b>\$253,443</b>	<b>\$2,335,198</b>

The accompanying notes are an integral part of these statements.

## Notes to Non-Consolidated Financial Statements

Japan Airlines Company, Ltd.  
March 31, 2000

### 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 that investments in subsidiaries and affiliates are stated at cost.

The Company maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted and applied 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.

Accordingly, the accompanying non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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

### 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. Income Taxes

The Company initially adopted tax-effect accounting for the year ended March 31, 2000, and the effect of adoption of this method of accounting was to increase total assets and retained earnings by ¥5,747 million (\$54,216 thousand) at March 31, 2000, and to increase net loss by ¥6,362 million (\$60,018 thousand) for the year ended March 31, 2000.

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 statutory rates of approximately 40% in 2000, 47% in 1999 and 52% in 1998.

The significant components of deferred tax assets and liabilities and the related valuation allowance at March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Revaluation loss on investments in subsidiaries and affiliates	¥ 33,160	\$ 312,830
Accrued severance indemnities	5,763	54,367
Accounts payable - trade	2,757	26,009
Revaluation loss on flight equipment spare parts	1,742	16,433
Tax loss carryforwards	3,605	34,009
Other	4,890	46,132
Deferred tax liabilities:		
Reserve for special depreciation	(4,800)	(45,283)
	47,120	444,528
Valuation allowance	(41,372)	(390,301)
Net deferred tax assets	¥ 5,747	\$ 54,216

### 4. 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.

### 5. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2000 and 1999, and the related depreciation expense and interest expense for the years ended March 31, 2000 and 1999, 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 leases currently accounted for as operating leases:

March 31, 2000	Millions of yen		
	Flight equipment	Ground property and equipment	Total
Acquisition costs	¥493,906	¥27,787	¥521,693
Less accumulated depreciation	218,809	18,666	237,475
Net book value	¥275,097	¥ 9,121	¥284,218

March 31, 2000	Thousands of U.S. dollars		
	Flight equipment	Ground property and equipment	Total
Acquisition costs	\$4,659,490	\$262,141	\$4,921,632
Less accumulated depreciation	2,064,235	176,094	2,240,330
Net book value	\$2,595,254	\$ 86,047	\$2,681,301

March 31, 1999	Millions of yen		
	Flight equipment	Ground property and equipment	Total
Acquisition costs	¥450,726	¥33,722	¥484,448
Less accumulated depreciation	176,743	20,685	197,428
Net book value	¥273,982	¥13,037	¥287,019

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Depreciation expense	¥45,987	¥38,204	\$433,839
Interest expense	¥12,206	¥11,992	\$115,150

Lease expenses relating to capital leases accounted for as operating leases amounted to ¥53,612 million (\$505,773 thousand), ¥46,557 million and ¥46,357 million for the years ended March 31, 2000, 1999 and 1998, respectively.

The present value of future rental expenses under capital leases accounted for as operating leases outstanding at March 31, 2000 and 1999 was as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Within 1 year	¥44,314	¥39,795	\$418,056
Over 1 year	282,174	285,265	2,662,018
	¥326,488	¥325,061	\$3,080,075

Future rental expenses under operating leases outstanding at March 31, 2000 and 1999 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Within 1 year	¥10,537	¥13,178	\$99,405
Over 1 year	43,880	54,735	413,962
	¥54,417	¥67,913	\$513,367

## 6. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2000 for purchases of significant property and equipment amounted to ¥427,318 million (\$4,031,301 thousand).

See Note 7 to the consolidated financial statements with respect to the Company's contingent liabilities under debt assumption agreements.

At March 31, 2000, contingent liabilities for guarantees, principally for subsidiaries, affiliates and employees, amounted to ¥18,236 million (\$172,037 thousand). In addition, at March 31, 2000, contingent liabilities for commitments such as guarantees, keep well agreements and others, principally for subsidiaries, affiliates and employees, amounted to ¥52,774 million (\$497,867 thousand).

The Company has sold certain receivables and loans to banks. At March 31, 2000, the aggregate balance of the receivables and loans sold amounted to ¥66,673 million (\$628,990 thousand).

## 7. Elimination of Accumulated Deficit

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

	Millions of yen
Reserve for special depreciation	¥ 8,665
Special reserve	5,808
Accumulated deficit brought forward	(151,772)
	<u>¥(137,298)</u>

A proposal for disposition of accumulated deficit was approved at a stockholders' meeting held on June 26, 1998. The deficit of ¥151,772 million at March 31, 1998 was offset against a reversal of the reserve for special depreciation of ¥8,665 million, the special reserve of ¥5,808 million, the legal reserve of ¥7,330 million and a reversal of additional paid-in capital of ¥129,968 million. As a result, at June 26, 1998, the balance of accumulated deficit carried forward was nil.

## 8. Amounts Per Share

Amounts per share have been computed by the same method as that described in Note 9 to the consolidated financial statements and are summarized as follows:

Year ended March 31,	Yen U.S. dollars			
	2000	1999	1998	2000
Net loss (income)	<b>¥(3.18)</b>	¥14.77	¥(52.95)	<b>\$0.030</b>
Diluted net income	—	¥14.77	—	—

  

March 31,	Yen U.S. dollars		
	2000	1999	2000
Net assets	<b>¥139.15</b>	¥138.52	<b>\$1.312</b>

The Board of Directors  
Japan Airlines Company, Ltd.

We have examined the non-consolidated balance sheets of Japan Airlines Company, Ltd. as of March 31, 2000 and 1999, and the related non-consolidated statements of operations and stockholders' equity for each of the three years in the period ended March 31, 2000, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied 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, 2000 and 1999, and the results of its operations for each of the three years in the period ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 3 to the non-consolidated financial statements, Japan Airlines Company, Ltd. has adopted a new accounting standard for tax-effect accounting in the preparation of its non-consolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2000 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 29, 2000