

June 9, 2005

## Japan Airlines Corporation

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

### Notice of the Third Annual General Meeting of Shareholders

Dear Shareholder:

This is to inform you that the third annual general meeting of shareholders of Japan Airlines Corporation (the Company) will be held in accordance with the schedule indicated below. You are cordially invited to attend.

If you are unable to attend the meeting you will be able to exercise your voting rights by written proxy. In that event, please refer to the reference document below, and return the enclosed form for exercising voting rights by proxy after indicating your approval or disapproval and affixing your official seal or signature.

1. Date and Time: June 28, 2005 (Tuesday), 10:00 AM
2. Place: Tsurunoma Room, main banquet hall floor (Main Bldg. 1F), Hotel New Otani, 4-1 Kioi-cho, Chiyoda-ku, Tokyo
3. Objectives of the Meeting
  - Reports
    - Item 1: Reporting on the business report, consolidated balance sheet, consolidated statement of operations, and reports on the consolidated financial statements by the independent auditors and the board of corporate auditors for the third term (from April 1, 2004, to March 31, 2005)
    - Item 2: Reporting on the balance sheet and statement of operations for the third term (from April 1, 2004, to March 31, 2005)
  - Proposed Resolutions
    - Item 1: Approval of proposed appropriation of retained earnings for the third term
    - Item 2: Amendments to the Articles of Incorporation. A summary of the proposed resolutions is described in the "Reference Document for Exercising Voting Rights" below (page 31 to page 34).
    - Item 3: Election of 10 directors
    - Item 4: Presentation of lump-sum retirement bonuses to outgoing directors, and payment of lump-sum retirement bonuses to directors due for re-election and corporate auditors currently in office for that portion of their service rendered up to March 31, 2005.
    - Item 5: Revision of the amount of compensation of directors

Sincerely yours,

Toshiyuki Shinmachi  
Group Chief Executive Officer

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#### Notes

Please note that the English translation of this Notice of the Third Annual General Meeting of Shareholders and all of the attached documents is provided for reference only; Business Report, Balance Sheet (Consolidated and Non-Consolidated), Statement of Operation (Consolidated and Non-Consolidated), Proposal for Appropriation of Retained Earnings, copy of Report of Independent Auditors (Consolidated and Non-Consolidated), copy of Report of the Board of Corporate Auditors (Consolidated and Non-Consolidated), and Reference Document for Exercising Voting Rights. The official documents are written in Japanese, and in the event of a discrepancy, the Japanese documents shall prevail.

The company announced its financial results for the fiscal year ended March 31, 2005 (FY2004) on May 9, 2005. Please refer to the company's URL: <http://www.jal.com/en/>

【attached documents】

## **Business Report** (From April 1, 2004, to March 31, 2005)

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As a result of the occurrence of a series of problems relating to safe operations, in March 2005 the JAL Group was the subject of a business improvement order relating to the assurance of air transport safety and of administrative warnings issued by the Minister of Land, Infrastructure and Transport.

Maintaining operational safety is the very basis of the JAL Group's existence and also its social responsibility, and therefore we take this situation very seriously and have reflected deeply on it. We wish to offer our most sincere apologies to our shareholders, our customers, and all other individuals affected for all trouble and anxiety they have been caused.

All involved in the management of the Group are now at the forefront of efforts to rebuild the safety structure throughout the Group, which they are guiding with strong commitment and leadership. We will be doing everything in our power to restore the confidence of society as a whole in the Group.

We hope to continue to receive the support and encouragement of all our shareholders.

### **1. Business Overview**

#### **(1) Business Performance of JAL Group**

During the reporting period, the Japanese economy maintained its modest recovery trend, buoyed by a substantial improvement in corporate earnings, but consumer spending still fell short of a full-scale recovery. In the aviation industry, there was an improvement in passenger demand on international routes, which had fallen in the previous term as a result of factors such as the Iraq conflict and the SARS epidemic. Domestic passenger demand, however, slackened, and operating expenses increased as a result of higher aviation fuel prices. In consequence, the operating environment remained very difficult.

The JAL Group — which was born from the business integration in 2002 — underwent a reorganization in April 2004 to a structure in which Japan Airlines International Co., Ltd. succeeded the former Japan Airlines (JAL) in providing international passenger services and cargo services, and Japan Airlines Domestic Co., Ltd. succeeded the former Japan Air System (JAS) in providing domestic passenger services.

With this reorganization, all flights operating with the former JAL and JAS flight-number prefixes were standardized as JAL flights, and other steps were taken to establish the JAL brand, including the standardization of staff uniforms and airport counter designs. Subsequently, in June 2004, the Company's trade name as the holding company of the JAL Group was changed to Japan Airlines Corporation (JALS) — a further step to ensure thorough market penetration by the JAL brand.

In December 2004 the Company began issuing the JAL Card Suica in partnership with East Japan Railway Company (JR East), enabling the Company to provide enhanced services. This IC (integrated circuit) card links land and sky by enabling passengers to board trains and flights on JR East lines and JAL domestic routes by simply using their cards to "touch-and-go." Miles accumulated with JAL can be exchanged for credit on passengers' Suica cards, making it easier for people to accumulate and use miles in the Company's mileage program and thereby enhancing the JAL Group's competitiveness.

During the period under review the total volume of passengers and cargo carried on the JAL Group's international and domestic routes rose by 8.7% year-on-year, to 14,226.35 million revenue ton-kilometers.

To counter the steep increase in the price of aviation fuel, the JAL Group was quick to formulate and implement appropriate measures. These included ¥47 billion improvements to the balance of revenue and expenditure, including steps to boost revenues by revising plans for numbers of routes and flights and revising fares, and a range of cost-cutting initiatives.

On a consolidated basis (156 consolidated subsidiaries; 21 affiliates accounted for by the equity method) the Group posted operating revenues of ¥2,129.8 billion, up by 10.3%. Operating expenses increased by 3.7%, to ¥2,073.7 billion, as the reduction of personnel costs achieved by reforming the retirement benefit

program was more than offset by factors such as the steep rises in fuel prices. In consequence, operating income totaled ¥56.1 billion, ordinary income totaled ¥69.8 billion, and net income was ¥30.0 billion.

## **(2) Status of JAL Group Individual Operations**

### **International Passenger Operations**

In international passenger operations the Group took steps to meet demand by actively developing routes to high growth markets, in particular China. Newly inaugurated China routes include Tokyo, Osaka to Hangzhou, and Osaka to Qingdao. Osaka to Hanoi was one of the new routes inaugurated to other Asian countries. At the new Central Japan International Airport opened in February 2005, the Group developed routes to satisfy the demand of customers in the central Japan region in addition to the flights that were transferred from Nagoya Komaki Airport. The Group inaugurated routes to Paris and Guangzhou; increased flight frequency and started operating larger aircraft on the routes to Manila, Bangkok and Busan, Competitiveness was also enhanced by the introduction of two Boeing 777-300ER aircraft.

In addition, the competitiveness of JALways was boosted when the carrier expanded its network to encompass all Japan–Bangkok routes, the Tokyo–Kona–Honolulu route, and the Osaka–Brisbane–Sydney route.

With respect to marketing, to mark the standardization of all routes operated by Japan Airlines International as JAL flights, a campaign called the “JJ Integration Campaign” was run from April. Also, on the fiftieth anniversary of operations on Hawaii routes the Group implemented the “Feel New Hawaii” campaign, which was designed to boost demand by telling the public about Hawaii’s new appeal.

To meet the increase in demand for travel to China, a “Power China! JAL” publicity campaign was implemented from July, and steps were also taken to win demand among businesspeople with the “JAL China Power Up” campaign. In addition, in tandem with the inauguration of the routes to Hangzhou, we sought to develop sightseeing and tourism demand by marketing tours to the region around Shanghai.

To stimulate demand originating overseas, the Group was an active participant in the Japanese government’s “Visit Japan Campaign,” and engaged in activities to stimulate tourism not only from neighboring countries but also from Europe, the U.S., and Australia.

In the sphere of fares the Group took further steps to match what customers wanted, however diverse. During the fiscal year we greatly expanded “Super Maeuri (advance purchase) Goku” fares, the “Long Stay Goku” fares, and “Web Goku” fares available only on the JAL Web site, and we introduced the “Economy Saver Plus” and “Birthday Goku” fares.

To enhance products and services, the Group steadily increased the number of routes on which Shell Flat Seats are fitted for executive-class passengers to give them more private space, bringing them into use on seven major routes to Europe and the U.S. In addition, in December 2004 we started a service on the London route that enables passengers to connect with the Internet from their own personal computers in the passenger cabin.

The JAL Group’s total number of international passengers rose by 25.5% from the previous fiscal year, to 14.74 million, and operating revenue was up by 22.1%, to ¥671.2 billion.

### **Domestic Passenger Operations**

In April 2004 the numbers of flights on all domestic routes operated by Japan Airlines Domestic adopted the standard “JAL” prefix, and all flights on domestic routes were given four digits as part of a switch to a new structure in which flight numbers are allocated on a regional basis. Customer convenience was also enhanced by integrating facilities such as reservation desks and counters at airports.

In network operations, the numbers of flights and large-size aircraft used on trunk routes were increased. There was also expansion on regional routes, for example increases in flights on the Nagoya–Fukuoka route and the Sendai–Sapporo route. Meanwhile profitability was further improved by suspending operations or reducing flights on routes that were not generating adequate profits.

At the Central Japan International Airport, opened in February 2005, almost all flights that were originally based at Nagoya Komaki Airport were transferred to the new airport. Meanwhile the municipally operated Nagoya Komaki Airport, reopened on the same day after renovation, and as it offers the advantage of being located close to the center of Nagoya, the operation by J Air of its 50-seat CRJ200s has been continued there, for the greater convenience of customers in the Central Japan area.

With respect to marketing, the Group sought to offer fares that were both competitive and facilitated use of its services. The “Bargain Fares” and “Birthday Discount Fares,” both of which have proved popular among customers, were maintained so as to continue to stimulate demand. The Okinawa, Hokkaido and other existing sales-promotion campaigns were continued, and the “JAL Uraraka Shikoku” campaign was initiated in April 2004. These were designed to promote sales by stimulating tourism demand and projecting a positive image of the JAL Group’s enhanced network.

Product development was also pursued actively. In June 2004, for example, the new “Class J” was introduced, offering passengers the use of an extra-comfortable seat for just an extra ¥1,000 yen charge. By offering a new style of relaxation, “Class J” has maintained a high utilization rate since its introduction, providing evidence of the excellent reception that customers have given it.

The renovation of Terminal 1 at Haneda Airport was completed in December 2004. A reduction in passengers’ waiting time and an increase in the number of installations, such as counters and security gates were the key objectives of the renovation. The overall aim was to create a spacious and comfortable environment in which passengers would be able to board their flights more smoothly.

February 2005 saw the inauguration at major domestic airports of the “JAL IC Check-in Service,” which enables passengers to board their flights by simply using smartcards to “touch-and-go” without the need to visit check-in counters or have boarding passes. This is a state-of-the-art, epoch-making service, the first of its kind by a domestic airline operator, and its great convenience has been attracting a steady increase in the number of users.

Marketing activities such as these led to an improvement of 4.7% in passenger unit revenue from the previous term. The JAL Group’s total number of domestic passengers declined by 3.7%, to 44.7 million, owing to such factors as an increase in flight cancellations due to typhoons. Nevertheless, operating revenue rose by 0.9% to a total of ¥674.7 billion.

## **Cargo Operations**

International cargo operations were affected positively by the overall briskness of the world economy, the robustness of the economic expansion in the U.S., and the continuing rapid expansion in China. This led to a very substantial increase in demand from the previous fiscal year.

As for the merchandise transported, there was a brisk pace of shipments of numerous goods that reflected the buoyancy of economic activity, such as manufactured goods, textiles, and fresh produce, with particularly large increases in both imports and exports of DVD-related equipment, digital cameras, and products and components relating to flat-screen televisions – the current top three “must-have” consumer durables.

Cargo movements were generally brisk in all geographical sectors, primarily for export cargoes from Japan. On U.S. routes demand was substantial, powered by goods in the automotive field; on European routes there was firm demand for the carriage of digital consumer electronics products, backed by extraordinary demand until the summer in the field of air-conditioning products; and on Asian routes there was heavy demand for the transportation of electronic components and semiconductor-manufacturing equipment.

In its route operations the Group expanded capacity to China, where strong growth is expected over the medium term. The expansion included increases in the number of flights on the Shanghai route from April 2004, and inaugurating of the Tokyo–Guangzhou route in November. Also, with the opening of the Central Japan International Airport in February 2005, the Group took steps to satisfy demand in the central Japan region, one of the principal production bases of the Japanese economy, by for example starting the first cargo flights to the U.S. from that region.

With respect to transportation capacity, the JAL Group became the first airline group in Japan to introduce two Boeing 747-400 freighters. Compared with the 10 existing Boeing 747-200 freighters operated by the Group, these aircraft are able to fly more than 20% further nonstop, owing to enhanced fuel-consumption efficiency, and their maximum takeoff weight is approximately 19 tons more. The temperature-control capabilities for the holds have also been enhanced, enabling us to carry important cargoes entrusted to us by our customers in greater safety, in greater quantities, and over greater distances.

The total cargo transportation volume on international routes increased by 7.1% from the previous term, to 4,681.72 million ton-km, and operating revenue was up by 12.0%, to ¥171.3 billion.

The Group's domestic cargo business was buoyed in the first half by the impetus of the economic recovery in the previous fiscal year, and cargo movements were relatively brisk. However, after the summer, typhoons led to an increase in flight cancellations, adverse weather depressed production of agricultural produce, and a mood of stagnation crept back into the economy, causing the pace of growth in cargo to slow.

As a consequence, the JAL Group's total cargo transportation volume on domestic routes increased by 4.9% year-on-year, to 394.56 million ton-km, but operating revenue fell by 0.9%, to ¥30.5 billion.

### **Other Operations**

In related businesses, factors such as the increase in demand related to passenger operations on international routes enabled many companies to achieve both revenue and profit growth.

In airline-related business, companies engaging in the sale of in-flight meals achieved year-on-year increases in revenues, buoyed by the recovery in passenger demand; and for those in the business of supplying electric power in Narita achieved increased sales to foreign airlines. As a result, performance in this segment was strong.

In the field of travel services there was substantial year-on-year growth in demand for overseas tourism, and domestic tourism demand was also robust.

In other businesses there was a strong recovery in demand in such spheres as hotels and sales of duty-free goods. There were increases in revenues in the credit-card business as the number of JALCard cardholders grew, and in the sales of the BLUE-SKY outlets at Japanese airports.

As a result of these developments, the revenues from the JAL Group's related operations (after consolidation adjustments) rose by 13.4% year-on-year, to ¥636.1 billion.

### **(3) Issues to Be Addressed by the JAL Group**

#### **Safe Operations**

“Safety in flight operations is the very foundation and social responsibility of the JAL Group. To carry out our mission of assuring safety, the management will exert its strong resolve and the employees will bear an awareness of their individual roles and responsibilities, and together we will combine our utmost knowledge and capabilities to ensure the safety and reliable operation of each and every flight.”

This commitment to safety has been laid down as the JAL Group Safety Charter. All employees and officers of the Group will return to the spirit of this charter and do everything in their power to restore confidence in the JAL Group.

We have taken very seriously the public reprimand we have received, and on the basis of the factors that were found to be common to the series of incidents, the management of the Group will take the lead in implementing the following remedial measures.

- a) The entire JAL Group will be made thoroughly aware that safety has priority over all else, and efforts should be made to ensure that business improvements are all premised on safety.

- b) Steps will be taken to ensure that in any situation all employees are able to act independently from the standpoint of safety consciousness.
- c) In order to strengthen unity between staff in workplaces and the management, senior managers will take active steps to visit all workplaces in order to increase interactive communication and create an open workplace culture.

These remedial measures will be put into effect immediately, and while verifying the degree to which they are permeating the Group they will be implemented on an ongoing basis and the Group's safety structure for the future will be put in place.

In order to further enhance safety consciousness, the president and all other board members will visit all workplaces to hold safety meetings to deepen employees' understanding of safety issues, and to talk directly with staff to encourage interactive communication.

In addition, all regulations and procedures in all departments will be reviewed to ensure that they are being strictly adhered to. The JAL Group as a whole will act as one in rebuilding the safety structure, and will do everything in its power to restore the confidence of shareholders and society as a whole.

### **Reform of the Business Structure**

The severe operating environment in the aviation industry is likely to continue, including the persistence of fuel prices at record-high levels. In view of this, the JAL Group will reform its operating structure in a way that ensures the managerial robustness to build a structure that will enable the Group to generate profits – always premised on the maintenance of operational safety – in any business environment, even in the face of sharp rises in fuel prices and sluggish demand.

Specifically, emphasis will be placed on the following three items.

- a) Structural reform of international passenger operations

We will reallocate resources and build a network in a way that places greater emphasis on profitability, for example, by concentrating on profitable and high-growth routes and by reorganizing or eliminating unprofitable routes. We will also endeavor to enhance cost-competitiveness still further in such ways as reducing the number of aircraft types and configurations specifications and expanding the scale of operations of JALways.

- b) Reform of the cost structure

We will implement diverse measures such as enhancing the efficiency of spending on personnel costs through changes to the organization, staffing, and retirement benefit expenses; reviewing our agreements with contractors outside the Group; and lowering sales costs by making greater use of information technology (IT). Through these we aim to improve the Group's income and expenditure situation by reforming the cost structure, achieving savings of ¥75 billion in fiscal 2007 and of at least ¥100 billion in future years.

- c) Active development of growth markets

We will continue to enhance our products and services in international passenger operations by vigorously developing our activities in the Chinese and Asian markets, where medium to long-term growth is projected. We will develop cargo operations in growth markets such as China and through the late-night cargo market in Japan.

### **The JAL Group's Aims**

The JAL Group is dedicated to rebuilding its safety structure and achieving simplification and standardization in various aspects of its operations. Our aim is to create a lean group management structure by such means as integrating the holding company and operating companies; reducing the number of executive officers; and by increasing the use of information technology to simplify business processes.

Through efforts such as these, the Group will endeavor to attain the following goals: consolidated net income of at least ¥10 billion in fiscal 2005; bringing international passenger operations back into the black in fiscal 2006; and achieving consolidated operating income of at least ¥100 billion in fiscal 2007.

Also, as part of the JAL Group's vigorous approach to fulfilling its corporate social responsibility (CSR), it has established the Group Corporate Social Responsibility Committee chaired by the Group CEO. Under the committee's guidance, the Group undertakes CSR activities in a unified manner. It will continue in the future to undertake activities in every field — economic, environmental, or social — that place importance on its shareholders, customers, the community, its employees, and all other stakeholders.

Always premising its conduct on the maintenance of safe operations, the JAL Group will continue to create simple and easy-to-understand products and services that attract customers. Through structural reform the Group will enhance corporate value and reward the confidence held in it by its shareholders.

We hope to continue receiving the understanding and support of our shareholders.

#### **(4) Capital Investments and Fund Procurement**

##### **a. Capital Investments**

The aggregate amount of capital investment by the JAL Group during the term was ¥117.5 billion, down by 23.8% year-on-year. This comprised ¥63.6 billion of investments in aircraft, down by 39.6%; ¥32.5 billion in ground equipment, up by 50%; and ¥21.3 billion in intangible fixed assets, down by 21.3%.

A total of 13 new aircraft were introduced during the term, of which one was purchased and 12 were leased. In addition, 12 aircraft were purchased upon the expiry of their leases, and 14 were decommissioned.

Among the aircraft currently on order, nine were included in the capital investment made during the term.

##### **b. Fund Procurement**

To procure the funds required for the capital investment described above, the Company raised a total of ¥48.1 billion in the form of long-term borrowings, and a total of ¥100 billion from the issuance of guaranteed Euroyen convertible bonds with subscription rights maturing in 2011.

## (5) Business Results and Assets

### a. JAL Group's Business Results and Assets

Item	(FY2001)	1st term (FY2002)	2nd term (FY2003)	3rd term (FY2004)
Operating revenue (¥ million)		2,083,480	1,931,742	2,129,876
Ordinary income (¥ million)		15,840	(71,938)	69,805
Net income (¥ million)		11,645	(88,619)	30,096
Net income per share (¥)		5.92	(45.19)	15.24
Total assets (¥ million)		2,172,284	2,133,418	2,162,654
Net assets (¥ million)		254,256	159,273	194,746
Net assets per share (¥)		129.66	81.16	98.34

Notes:

1. Parentheses indicate losses
2. The Company was established as a holding company on October 2, 2002, through the business integration of JAL and JAS. For this reason, there is no description of business results and assets for the period prior to the 2001 fiscal year.
3. Net income per share is calculated based on the average number of issued shares for the entire term, and the net assets per share is calculated based on the number of issued shares at the end of the term. In each case, the number of shares of treasury stock is deducted from the number of issued shares.

For the first term, the JAL Group posted net income of ¥11.6 million. The factors behind this were that the aftereffects of the September 11 terrorist attacks in the U.S. lingered amid mounting uncertainty about the prospects for the world economy, causing passenger demand on international routes to slacken, but demand in the cargo and domestic passenger sectors were robust.

In the second term, the fiscal year to March 2004, in spite of cost reductions achieved through the business integration there was a substantial decline in passenger demand on international routes owing to developments such as the Iraq conflict and the SARS outbreaks. As a result, the Group incurred a net loss of ¥88.6 billion.

The situation in the term under review is described in the preceding section "1. Business Overview (1) Business Performance of JAL Group."

## b. Company's Business Results and Assets

Item	(FY2001)	1st term (FY2002)	2nd term (FY2003)	3rd term (FY2004)
Operating revenue (¥ million)		3,176	21,329	16,197
Ordinary income (¥ million)		40	10,167	489
Net income (¥ million)		11	8,701	270
Net income per share (¥)		0.01	4.41	0.13
Total assets (¥ million)		619,604	931,961	1,016,808
Net assets (¥ million)		289,351	285,648	276,965
Net assets per share (¥)		146.24	145.54	139.84

### Notes

1. The Company was established as a holding company on October 2, 2002, through the business integration of JAL and JAS. For this reason, there is no description of business results and assets for the period prior to the 2001 fiscal year.
2. Net income per share is calculated based on the average number of issued shares for the entire term, and the net assets per share is calculated based on the number of issued shares at the end of the term. In each case, the number of shares of treasury stock is deducted from the number of issued shares.

The Company is the holding company for the JAL Group, and in that capacity it generates earnings from such sources as dividends from its operating subsidiaries, management guidance fees collected from those companies, fees for special fiduciary services and interest on loans.

## 2. Company Overview

[The statements hereafter are true as of March 31, 2005, unless otherwise specified.]

### (1) The JAL Group's Principal Activities

Operation of scheduled and non-scheduled air transportation businesses, aircraft maintenance business, and additional and related businesses

### (2) Principal Branch Offices and Service Centers of the JAL Group

JAL Head office: 4-11, Higashi-Shinagawa 2-chome, Shinagawa-ku, Tokyo

- In Japan: Sapporo, Hakodate, Asahikawa, Obihiro, Kushiro, Kitami, Aomori, Akita, Morioka, Yamagata, Sendai, Fukushima, Tokyo, Niigata, Nagoya, Kanazawa, Toyama, Nagano, Osaka, Wakayama, Okayama, Hiroshima, Sanin, Matsuyama, Kochi, Takamatsu, Tokushima, Fukuoka, Yamaguchi-Kitakyushu, Nagasaki, Oita, Kumamoto, Miyazaki, Kagoshima, Amami and Okinawa
- Overseas: Seoul, Busan, Beijing, Tianjin, Qingdao, Shanghai, Dalian, Xiamen, Guangzhou, Xian, Hangzhou, Hong Kong, Manila, Bangkok, Hanoi, Ho Chi Minh City, Singapore, Kuala Lumpur, Jakarta, Denpasar, Sydney, Brisbane, Auckland, New Delhi, Cairo, Moscow, Frankfurt, Amsterdam, Zurich, London, Paris, Madrid, Milan, Rome, Vienna, Guam, Saipan, Vancouver, New York, Chicago, Atlanta, Los Angeles, San Francisco, Las Vegas, Anchorage, Honolulu, Kona, Mexico City, Sao Paulo, Taipei and Kaohsiung
- Service Center: Haneda Maintenance Center, Narita Maintenance Center

### (3) JAL Group Fleet

Type of Aircraft	Number of Aircraft	Number of Seats or Maximum Weight Loading	Comments
B747-400 (long distance)	34	303 to 449 seats	1 is on lease.
B747LR-SUD (long distance)	14	350 to 483 seats	
B747LR (long distance)	8	383 to 435 seats	4 are on lease.
B747-400D (short distance)	8	546 seats	1 is on lease.
B747SR-SUD (short distance)	2	563 seats	
B747SR (short distance)	1	533 seats	
B747-400F (cargo only)	2	110 tons	Both are on lease.
B747F (cargo only)	10	110 tons	3 are on lease.
(Subtotal)	(79)		
B777-200	13	380, 388 seats	3 are on lease.
B777-300	7	472 seats	All are on lease.
B777-200ER	9	268, 302 seats	All are on lease.
B777-300ER	2	292 seats	Both are on lease
(Subtotal)	(31)		
DC-10-40	6	266, 268 seats	
A300-600R	22	290 seats	8 are on lease.
A300	6	298 seats	
(Subtotal)	(28)		
B767-200	3	207 seats	
B767-300	22	232, 270 seats	7 are on lease.
B767-300ER	12	237 seats	All are on lease.
(Subtotal)	(37)		
MD-90	16	166 seats	2 are on lease.
MD-81	18	163 seats	6 are on lease.
MD-87	8	134 seats	2 are on lease.
B737-400	23	150 to 167 seats	14 are on lease.
DHC 8-400	5	74 seats	3 are on lease.
YS-11	6	64 seats	
CRJ200	6	50 seats	All are on lease.
SAAB 340B	14	36 seats	5 are on lease.
DHC 8-100	4	39 seats	
BN-2B	3	9 seats	
Total	284		

#### (4) Shares

##### a. Number of Shares

Authorized:	6,936,918,000 shares
Issued:	1,982,383,250 shares

##### Notes

1. As a result of a simple share exchange with its subsidiary Japan Asia Airways Co., Ltd. on April 1, 2004, the Company's total number of issued shares increased by 65,000,000.
2. On February 4, 2005, the Company canceled 63,082,000 shares of its treasury stock.
3. As a result of the above, the Company's total number of authorized shares decreased by 63,082,000. The total number of issued shares increased by 1,918,000 year-on-year.

**b. Number of Shareholders** 302,353 (24,058 year-on-year increase)

##### c. Major Shareholders

Name	Shares (1,000)	Ratio of Voting Rights	Our investment	Ratio of shareholding
Tokyu Corporation	80,397	4.12%	—	—%
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	75,837	3.89	—	—
Eitaro Itoyama	74,500	3.82	—	—
Nissay Dowa General Insurance Co., Ltd.	45,326	2.32	—	—
Japan Trustee Services Bank, Ltd. (Trust)	44,532	2.28	—	—
Nippon Life Insurance Company	41,756	2.14	—	—
Fukoku Mutual Life Insurance Company	40,001	2.05	—	—
The Master Trust Bank of Japan, Ltd. (Trust)	37,839	1.94	—	—
JAL Group Employees' Stockholding	36,191	1.86	—	—
Mizuho Corporate Bank, Ltd.	35,303	1.81	—	—

Note: Tokio Marine and Fire Insurance Co., Ltd. and Nichido Fire Insurance Co., Ltd. merged on October 1, 2004, to form the Tokio Marine & Nichido Fire Insurance Co., Ltd.

#### (5) Purchase, Disposal, and Holding of Treasury Stock

##### a. Shares Purchased

Common Stock	64,106,708 shares
Amount of purchase	¥18,804 million

Note: Pursuant to the provisions of Article 211-3, Clause 1, Item 1 of the Commercial Code, the above acquired shares include 63,082,000 shares of the Company's common stock acquired by purchase from the Company's subsidiary Japan Airlines International Co., Ltd.

##### b. Shares Disposed of

Common Stock	16,987,385 shares
Amount of disposal	¥4,782 million

Note: The above shares disposed of include 16,018,600 shares of the Company's common stock allotted in substitution for the issuance of new shares to shareholders of Japan Asia Airways Co., Ltd. at the time of a simple share exchange with that company on April 1, 2004.

##### c. Shares Subject to Nullification Procedures

Common Stock	63,082,000 shares
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##### d. Shares Held at the End of the Term

Common Stock	1,843,389 shares
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## (6) Subscription Rights

### a. Subscription Rights Currently Issued

Subscription rights pertaining to currently issued bonds with subscription rights

	Guaranteed Euroyen convertible bonds with subscription rights, maturing in 2011
Date of issuance decision	March 17, 2004
Number of subscription rights	100,000
Class & number of issued shares	227,272,727 ordinary shares
Issue price	Gratis
Conversion price	¥440
Period for exercise of conversion rights	April 19, 2004, to March 11, 2011

## (7) JAL Group Employees

Field of operations	Employees
Air transportation	23,903
Airline-related	19,008
Travel services	5,216
Other business	5,835
Total	53,962

Note: The figure for employees includes employees of the entire Group.

## (8) Members of the Corporate Group

### a. Major Subsidiaries

Company Name	Capital (¥ million)	Ratio of Voting Rights (%)	Main Line of Business
Japan Airlines International Co., Ltd.	188,550	100.0	Air transport business
Japan Airlines Domestic Co., Ltd.	21,486	100.0	Air transport business
Japan Asia Airways Co., Ltd.	4,310	100.0	Air transport business
Japan Trans Ocean Air Co., Ltd.	4,537	*51.1	Air transport business
JALways Co., Ltd.	3,000	*100.0	Air transport business
JAL EXPRESS Co., Ltd.	2,500	*100.0	Air transport business
Japan Air Commuter Co., Ltd.	300	*60.0	Air transport business
AGP Corporation	2,038	63.0	Power supply to aircraft
JAL Sales Co., Ltd.	4,750	100.0	Air ticket sales, travel product sales
JALPAK Co., Ltd.	900	*78.5	Travel product planning and sales
JAL Tours Co., Ltd.	80	*80.5	Travel product planning and sales
JAL Hotels Co., Ltd.	4,272	*90.7	Hotel management, hotel operation subcontractor
JALUX Inc.	2,558	*51.9	Wholesale, retail, non-life insurance agency, etc.

#### Notes:

1. An asterisk \* indicates the ratio of shareholding including the shares owned by subsidiaries.
2. Japan Asia Airways Co., Ltd. became the Company's wholly owned subsidiary on April 1, 2004, through a simple share exchange.
3. AGP Corporation became a wholly owned subsidiary of the Company through the acquisition on November 24, 2004, of that company's shares held by Japan Airlines International Co., Ltd. and Japan Airlines Domestic Co., Ltd.
4. JALUX Inc. became a wholly owned subsidiary of the Company through the acquisition on November 24, 2004, and January 14, 2005, of that company's shares held by Japan Airlines International Co., Ltd.
5. Japan Airlines International Co., Ltd. changed its name from Japan Airlines Co., Ltd. on April 1, 2004.
6. Japan Airlines Domestic Co., Ltd. changed its name from Japan Air System Co., Ltd. on April 1, 2004.

### b. Significant Developments and Results in the Corporate Group

Including the major subsidiaries above, the total number of consolidated subsidiaries stood at 156 (down by 4 from the previous term), and the number of affiliates accounted for by the equity method totaled 21 (down by 3 from the previous term).

The operating revenues of the JAL Group totaled ¥2,129.8 billion, and net income for the term totaled ¥30.0 billion.

## (9) Principal Creditors

Creditor	Loan Balance at the End of Term (¥ million)	Company Shares Held by Creditor	
		Shares Held (thousand shares)	Ratio of Voting Rights (%)
Development Bank of Japan	362,364	-	-
Mizuho Corporate Bank, Ltd.	34,953	35,303	1.81
The Bank of Tokyo-Mitsubishi, Ltd.	31,894	33,204	1.70
UFJ Bank Ltd.	24,789	11,567	0.59
Sumitomo Mitsui Banking Corporation	16,379	14,792	0.76
The Dai-ichi Mutual Life Insurance Company	12,385	8,647	0.44
Meiji Yasuda Life Insurance Company	11,680	4,535	0.23
Nippon Life Insurance Company	11,634	41,756	2.14
Shinkin Central Bank	10,040	-	-
Sumitomo Trust & Banking Co., Ltd.	9,000	-	-

## (10) Directors and Auditors

Title	Name	Area of Responsibility
Representative Group CEO & Chairman	Isao Kaneko	Chairman, CSR Committee
Representative Director & President	Toshiyuki Shinmachi	Chairman, Flight Safety Committee Chairman, Corporate Compliance & Business Risk Management Committee
Representative Director & Executive Vice President	Hidekazu Nishizuka	Assistant to the President SVP, General Manager Corporate Planning SVP, Human Resources Planning SVP, Corporate Compliance
Representative Senior Managing Director	Takenori Matsumoto	SVP, Corporate Safety SVP, Purchasing
Senior Vice President	Nobuyoshi Sera	SVP, General Manager Finance SVP, General Manager Investor Relations SVP, Public Relations
Senior Vice President	Fumio Tsuchiya*	SVP, Corporate Planning SVP, Brand Management SVP, CSR Committee
SVP (nonstanding)	Mitsuo Komatsubara*	President, Japan Airlines Domestic Co., Ltd.
SVP (")	Katsuo Haneda	President, Japan Airlines International Co., Ltd.
SVP (")	Toshiki Okazaki	President, JAL Sales Co., Ltd.
SVP (")	Shunji Kono	Advisor, The Tokio Marine & Nichido Fire Insurance Co., Ltd.
SVP (")	Ken Moroi	Advisor, Taiheiyo Cement Corp.
SVP (")	Shinobu Shimizu	Chairman, Tokyu Corp.
Corporate Auditor (standing)	Yasunaka Furukawa	
CA (")	Toshiyuki Sakai	
CA (")	Shigeo Matsui	
CA	Seiso Neo	Standing Corporate Auditor, Japan Airlines International Co., Ltd.
CA	Yoshihisa Akiyama	Chairman, The Kansai Electric Power Co., Inc.
CA	Masao Nishimura	Former President, The Industrial Bank of Japan, Ltd.

Notes

1. Directors marked with \* were newly elected directors at the second annual general meeting of shareholders held on June 25, 2004 and duly took office.
2. On April 1, 2004, President Isao Kaneko also assumed the office of Chairman, assuming office as Chairman and President concurrently, and Hidekazu Nishizuka relinquished the office of Senior Managing Director and assumed office as Executive Vice President.
3. On June 25, 2004, Isao Kaneko relinquished the concurrent offices of Chairman and President and assumed the office of Group Chief Executive Officer and Chairman, and Toshiyuki Shinmachi relinquished the office of Executive Vice President and assumed the office of President.
4. On March 31, 2005, Senior Vice President Toshiki Okazaki resigned from office and retired.
5. On March 18, 2005, the Company held an extraordinary meeting of the Board of Directors at which the following changes were made to representative directors and other senior directors, all of whom assumed their new offices on April 1, 2005.  
 Group Chairman and CEO Isao Kaneko was appointed Chairman  
 President Toshiyuki Shinmachi was appointed Group CEO and President  
 Senior Vice President Katsuo Haneda was appointed Executive Vice President  
 Executive Vice President Hidekazu Nishizuka was appointed Senior Managing Director  
 Senior Managing Director Takenori Matsumoto was appointed Senior Vice President
6. On May 31, 2005, Chairman Isao Kaneko resigned from office and retired, and on June 1, 2005, assumed the office of Senior Advisor.
7. Shunji Kono, Ken Moroi, and Shinobu Shimizu are outside directors as defined in Article 188, Paragraph 2(7)-2 of the Commercial Code.
8. Yoshihisa Akiyama and Masao Nishimura are outside auditors as stipulated in Article 18, Paragraph 1 of the Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of Corporations.

The names and areas of responsibilities of the executive officers are as follows.

Title	Name	Area of Responsibility
Senior Executive Officer	Satoshi Endo	SEO, IT Strategy and Planning SEO, Environmental Affairs Chairman, Environmental Affairs CSR Committee
Senior Executive Officer	Sumio Yasunaga	SEO, General Manager Corporate Affairs VP, Secretariat Office
Senior Executive Officer	Hideyuki Kanenari	SEO, Marketing Strategy & Research SEO, Corporate Planning SEO, Corporate Affairs VP, Strategic Policy & Research
Executive Officer	Haruka Nishimatsu	EO, Finance & Deputy EO Investor Relations
Executive Officer	Kimio Hiroike*	EO, Associated Business

Notes:

1. \* Kimio Hiroike assumed office as a new executive officer on April 1, 2004.
2. Executive Officer Hideyuki Kanenari was promoted to Senior Executive Officer on April 1, 2004, and duly assumed office.
3. On March 31, 2005, Senior Executive Officer Satoshi Endo retired when his term of office expired.

**(11) Amount of Compensation Paid to Directors and Corporate Auditors**

Directors (12):	¥164 million
Corporate auditors (6):	¥74 million

Notes

1. The figures above include directors who have voluntarily foregone the receipt of compensation for the reporting period.
2. In addition to the above amounts, retirement bonuses totaling ¥24 million were paid to four outgoing directors.

## (12) Amount of Compensation to be Paid to Independent Auditors

a. Aggregate amount of compensation to be paid by the Company and its consolidated subsidiaries to independent auditors:	261 million yen
b. From the total in a, the aggregate amount of compensation to be paid by the Company and its consolidated subsidiaries to independent auditors as consideration for audit certification in accordance with Article 2, Clause 1 of the Certified Public Accountants Law:	257 million yen
c. From the total in b, the amount of compensation to be paid by the Company as auditors' fees to independent auditors:	43 million yen

Note: In the audit agreement between the Company and its independent auditors, the amounts of compensation for audits pursuant to the Commercial Code Special Measures Law and the amounts of compensation for audits pursuant to the Securities and Exchange Law are not demarcated and cannot practically be demarcated. Therefore, the amount in c above is the aggregate of these amounts.

## 3. JAL Group Subsequent Events

There are no significant events to be reported.

- 
1. The amounts and quantities listed in this Business Report are rounded down to the nearest unit of measure indicated.
  2. Pursuant to Article 105, Paragraph 2, of Enforcement Regulations of the Commercial Code, business reports shall principally state consolidated information as of the business report for the third term.

## Consolidated Balance Sheet

As of March 31, 2005

(Millions of yen)

Item		Amount	Item		Amount		
Assets	I. Current assets		I. Current liabilities				
	Cash and time deposits	252,573	Accounts payable - trade	213,783			
	Notes and accounts receivable - trade	222,934	Short-term borrowings	11,611			
	Short-term investments in securities	666	Current portion of bonds	15,000			
	Supplies	76,335	Current portion of long-term loans	110,636			
	Deferred income taxes	9,618	Accrued income taxes	6,464			
	Other current assets	123,951	Deferred income taxes	154			
	Allowance for doubtful accounts	(2,905)	Other current liabilities	211,488			
	Total current assets		683,174	Total current liabilities		569,140	
	II. Fixed assets			II. Non-current liabilities			
	( Tangible fixed assets )		1,191,744	Bonds	310,000		
	Buildings and structures	224,690	Long-term loans	862,223			
	Machinery, equipment and vehicles	34,770	Accrued pension and severance costs	149,665			
	Flight equipment	814,760	Deferred income taxes	645			
	Land	66,809	Other non-current liabilities	50,458			
	Construction in progress	27,217	Total non-current liabilities		1,372,993		
	Other tangible fixed assets	23,496	Total liabilities		1,942,133		
	(Intangible fixed assets )		69,854	Minority interests		25,774	
	Software	67,871	Stockholders' equity		I. Common stock	100,000	
	Other intangible fixed assets	1,983			II. Capital surplus	136,141	
	(Investments )				217,804	III. Retained earnings/Accumulated deficit	(34,978)
	Investments in securities	80,640			IV. Net unrealized gain on investments in securities, net of taxes	3,765	
	Long-term loans receivable	16,602			V. Translation adjustments	(9,406)	
	Deferred income taxes	44,595			VI. Common stock in treasury	(775)	
	Other investments	78,933			Total stockholders' equity		194,746
Allowances for bad debts	(2,967)	Total liabilities and stockholders' equity		2,162,654			
Total fixed assets		1,479,403					
III. Deferred charges							
Bond issuance expenses	76						
Total deferred charges		76					
Total assets		2,162,654					

## Consolidated Statement of Operation

(From April 1, 2004  
to March 31, 2005)

		(Millions of yen)
Item		Amount
Ordinary income/loss	I. Operating revenues/expenses	
	Operating revenues	2,129,876
	( Operating revenues )	2,129,876
	Operating expenses	2,073,727
	( Cost of operating revenues )	1,685,675
	( Selling, general and administrative expenses )	388,051
	Operating income	56,149
	II. Non-operating income/expenses	
	Non-operating income	64,446
	( Interest and dividend income )	3,170
( Equity in earnings of affiliates )	1,514	
( Exchange gain, net )	2,075	
( Other non-operating income )	57,686	
Non-operating expenses	50,790	
( Interest expense )	24,875	
( Other non-operating expenses )	25,914	
Ordinary income	69,805	
Extraordinary profit/loss	Extraordinary profit	6,571
	( Gain on sales of fixed assets )	1,905
	( Subsidy received in relation to purchase of aircraft to be used for isolated island routes )	1,716
	( Gain on sales of investments in securities )	1,334
	( Other extraordinary profit )	1,615
	Extraordinary loss	31,710
	( Loss on sales and disposal of fixed assets )	13,840
	( Loss on cancellation of lease contracts )	9,682
( Other extraordinary loss )	8,188	
Income before income taxes and minority interests		44,666
Income taxes - current		7,897
Income taxes - deferred		4,251
Minority interests		2,420
Net income		30,096

## Notes

### Basis of Presentation of the Consolidated Financial Statements

#### 1. Scope of Consolidation

##### (1) Consolidated subsidiaries

Number of consolidated subsidiaries: 156

The names of the major consolidated subsidiaries are stated in the Business Report section 2. Company Overview, (8) Status of the Corporate Group, a. Status of Major Subsidiaries.

JTA Information & Communication Co., Ltd. and Ryukyu Air Commuter Co., Ltd., formerly affiliates to which the equity method was applied, became consolidated subsidiaries as a result of the acquisition of additional shares that raised the shareholding ratio. In addition, in view of its importance, Jalpak International (China) Co., Ltd., became a consolidated subsidiary during the term. Former consolidated subsidiary Creative Tours Dusseldorf GmbH merged with Jalpak International (Germany) GmbH (which changed its name from Creative Reise GmbH), Nihon Food Service Co., Ltd. merged with Inflight Foods Co., Ltd. (which changed its name from Yamato Shokuzai Co., Ltd.), and Orient Network (International) Pte. Ltd., Orient Network (Singapore) Pte. Ltd., and Orient Network Japan Co., Ltd. were liquidated. In addition, in view of their degree of importance, JAL Planning Co., Ltd. and JAL Cultural Development Co., Ltd. were excluded from the scope of consolidation as of the term under review.

##### (2) Non-consolidated subsidiaries

Name of major non-consolidated subsidiary: JAL FSC Lessee (Chi) Company, Ltd.

The total assets, sales, net income, capital surplus, etc., of the non-consolidated subsidiaries are all small in scale, and as a whole have no material effect on the consolidated financial statements. They are therefore excluded from the scope of consolidation.

#### 2. Application of the equity method

##### (1) Non-consolidated subsidiaries and affiliated companies to which the equity method is applied

Number of non-consolidated subsidiaries and affiliated companies to which the equity method is applied 21

Names of the major non-consolidated subsidiaries and affiliated companies to which the equity method is applied

JAMCO Corporation, Airport Facilities Co., Ltd., Tokyo City Air Terminal Co., Ltd., JAL Information Technology Co., Ltd.

##### (2) Non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

Names of the major non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

JAL FSC Lessee (Chi) Company, Ltd.

The non-consolidated subsidiaries have an insignificant effect on net income, capital surplus, etc., and as a whole have no material effect on the consolidated financial statements. They are therefore excluded from the application of the equity method.

#### 3. Fiscal years of consolidated subsidiaries

A total of 27 consolidated subsidiaries, including Pacific Fuel Trading Corporation, have fiscal year-ends on December 31, and the fiscal year-end of Official Filing Co., Ltd. is February 28, but necessary adjustments are made only in cases in which significant disparities arise with regard to transactions between consolidated companies between these dates and the consolidation date.

#### 4. Accounting standards

##### (1) Valuation standards and methods for important assets

- (a) Securities: Available-for-sale securities with market prices are valued using the market value method based on market prices and other data applicable on the last day of the fiscal year (differences in appraisal value are directly reported in the "Shareholders' equity" section). The accounting of sale costs is mainly based on the moving average method.

Available-for-sale securities without market prices are mainly valued using the cost method based on the moving average method.

- (b) Inventories: Appraised mainly using the cost method based on the moving average method
- (c) Derivatives: Appraised using the market value method

(2) Depreciation method for fixed assets

Aircraft (including spare engines and spare parts): Straight-line method or declining balance method

Tangible fixed assets excluding aircraft:

Japan Airlines International Co., Ltd. and

Japan Airlines Domestic Co., Ltd.

Straight-line method

Others

Mainly, declining balance method

Intangible fixed assets:

Straight-line method

(3) Accounting method for deferred charges

Bond issuance expenses are capitalized and are being amortized over three years.

(4) Standards for providing for important allowances:

(a) Accrued pension and severance costs

To provide for employees' severance indemnities, net period pension cost, which represents the amount recognized as the cost of the pension plans for the fiscal year, is accounted for based on the projected benefit obligation and the plan assets. The unrecognized obligation at transition is being amortized by the straight-line method principally over a period of fifteen years.

The adjustment for actuarial assumptions is being amortized by straight-line method over a period ranging from 5 to 15 years from the fiscal year following the adjustment, a period which is within the average remaining years of service of the active participants in the plans.

Amortization is computed from the fiscal year subsequent to the year in which the adjustment was recorded.

Past service cost is principally charged to income as incurred. However, at certain subsidiaries, past service cost is being amortized by the straight-line method over a period which is less than the average remaining years of service of the active participants in the plans.

Supplementary information

On September 10, 2004, JAL Pension Fund, managed under the auspices of consolidated subsidiary Japan Airlines International Co., Ltd., decided to supplement its existing plan with an optional system that includes a plan similar to a cash balance plan. As a result, operating income, ordinary income, and income before income taxes and minority interests increased by ¥51,292 million.

(b) Allowances for bad debts:

The allowance for bad debts on receivables is provided at the estimated unrecoverable amounts.

The allowance for other receivables is provided based on the historical rate of losses on receivables.

(5) Foreign currency accounts

Foreign currency receivables and payables are translated into yen at the applicable year-end exchange rates and translation gain or loss is included in current earnings.

Translation adjustments arising from the translation of assets, liabilities, revenues and expenses of the consolidated subsidiaries and affiliates accounted for by the equity method are included in minority interests and in stockholders' equity.

(6) Leases

*As lessee*

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



## Copy of Report of Independent Auditors (translation)

### Report of Independent Auditors

(Consolidated)

The Board of Directors  
Japan Airlines Corporation

May 13, 2005

Shin Nihon & Co.

Representative and Engagement Partner  
Certified Public Accountant

Tsunetoshi Harada

Representative and Engagement Partner  
Certified Public Accountant

Shinichiro Suzuki

In accordance with Article 19-2, Paragraph 3 of “The Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of Corporations,” we have audited the consolidated financial statements (consolidated balance sheet and the consolidated statement of operation) of Japan Airlines Corporation (formerly Japan Airlines System Corporation) applicable to its 3rd fiscal year from April 1, 2004 to March 31, 2005. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion independently on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit also included procedures applied to the accounts of the Company’s subsidiaries or consolidated subsidiaries as considered necessary. We believe that our audit provides a reasonable basis for our opinion.

As a result of our audit, it is our opinion that the abovementioned consolidated financial statements of Japan Airlines Corporation (formerly Japan Airlines System Corporation) present properly the financial position and business results of the Company and its consolidated subsidiaries and affiliates in accordance with the related regulations and the Articles of Incorporation,

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Law.

## Copy of Report of the Board of Corporate Auditors (translation)

### Report of the Board of Corporate Auditors

(Consolidated)

May 18, 2005

We, the Board of Corporate Auditors of Japan Airlines Corporation, received from each Corporate Auditor a report on auditing methods used and the results of its audits on the consolidated financial statements (consolidated balance sheet and consolidated statement of operation) during the third fiscal year from April 1, 2004 to March 31, 2005 and compiled this audit report after consultations and do hereby report as follows;

#### 1. Outline of the auditing method used by Corporate Auditor

In accordance with the auditing policies and other guidelines set down by the Board of Corporate Auditors, each Corporate Auditor conducted an audit of the consolidated financial statements, after having received relevant reports and explanations from directors, other officers and independent auditors.

#### 2. Results of audits

The method used and results obtained by the independent auditors, Shin Nihon & Company, have been recognized to be proper and fair.

Yasunaka Furukawa, Corporate Auditor (standing)  
Toshiyuki Sakai, Corporate Auditor (standing)  
Shigeo Matsui, Corporate Auditor (standing)  
Seiso Neo, Corporate Auditor  
Yoshihisa Akiyama, Corporate Auditor  
Masao Nishimura, Corporate Auditor

The Board of Corporate Auditors  
Japan Airlines Corporation

(Note) Messrs. Yoshihisa Akiyama and Masao Nishimura are outside auditors as stipulated in Article 18, Paragraph 1 of the Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of Corporations.

## Non-Consolidated Balance Sheet

(As of March 31, 2005)

(Millions of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
I. Current assets		I. Current liabilities	
Cash and time deposits	14,614	Accounts payable - trade	621
Accounts receivable - trade	2,546	Current portion of long-term loans	44,235
Current portion of long-term loans receivable from subsidiaries	44,235	Accounts payable - other	5,296
Prepaid expenses	30	Accrued income taxes	26
Accounts receivable - other	5,525	Accrued expenses	2,267
Deferred income taxes	12	Other current liabilities	8
Other current assets	16		
<b>Total current assets</b>	<b>66,981</b>	<b>Total current liabilities</b>	<b>52,457</b>
II. Fixed assets		II. Non-current liabilities	
Tangible fixed assets	(43)	Bonds	130,000
Tools, furniture and fixtures	43	Long-term loans	557,193
		Accrued pension and severance costs	6
		Other non-current liabilities	185
		<b>Total non-current liabilities</b>	<b>687,385</b>
Intangible fixed assets	(15)	<b>Total liabilities</b>	<b>739,842</b>
Software	15		
Other intangible fixed assets	0	Stockholders' Equity	
Investments and other assets	(949,430)	I. Capital	
Investments in subsidiaries	362,076	Common stock	100,000
Long-term loans receivable from subsidiaries	587,193	II. Capital surplus	
Deferred income taxes	137	Additional paid-in capital	105,069
Other investments	22	Other capital surplus	63,455
		Transfer from additional paid-in capital	63,406
		Gain on disposition of common stock in treasury	48
<b>Total fixed assets</b>	<b>949,488</b>	<b>Total capital surplus</b>	<b>168,524</b>
III. Deferred charges		III. Retained earnings	
Start-up costs	261	Unappropriated retained earnings	8,984
Bond issuance expenses	76		
		IV. Common stock in treasury	(543)
<b>Total deferred charges</b>	<b>337</b>	<b>Total stockholders' equity</b>	<b>276,965</b>
<b>Total assets</b>	<b>1,016,808</b>	<b>Total liabilities and stockholders' equity</b>	<b>1,016,808</b>

**Non-Consolidated Statement of Operation**      **From April 1, 2004 to March 31, 2005**

(Millions of yen)

Item		Amount			
Ordinary income/loss	Operating revenues/ expenses	Operating revenues	16,197	16,197	
		Operating revenues	16,197		
		Operating expenses		15,579	
		Cost of operating revenues	9,238		
	Non- operating income/loss	Selling, general, and administrative expenses		6,341	
		Operating income			617
		Non-operating income			39
		Interest income		17	
		Other non-operating income		22	
		Non-operating expenses			167
Interest expense		13			
Amortization of start-up costs		130			
Other non-operating expenses		23			
Ordinary income				489	
Extraordinary gain/loss	Extraordinary loss			106	
	Loss on sales and disposal of fixed assets		3		
	Loss on valuation of investments in subsidiaries		103		
Income before income taxes				382	
Income taxes - current				203	
Income taxes - deferred				(91)	
Net income				270	
Unappropriated retained earnings at beginning of the year				8,713	
Unappropriated retained earnings at end of the year				8,984	

## Notes to Non-Consolidated Financial Statements

### 1. Significant Accounting Policies

(1) Valuation of investments in securities

Investments in subsidiaries: Stated at cost based on the moving average method

(2) Method of depreciation of fixed assets

Straight-line method

(3) Method of amortization of deferred charges

Start-up costs: Amortized over a period of five years

Bond issuance expenses: Amortized over a period of three years

(4) Accounting for significant reserves

Provision for accrued pension and severance costs

To provide for employees' retirement benefits, the provision for accrued pension and severance costs is stated on the basis of the projected retirement benefit obligations at the end of the term.

(5) Accounting for leases

All finance leases, other than those that are deemed to transfer ownership of the leased assets to lessees, are treated for accounting purposes by the same method as that applied to ordinary operating leases.

(6) Hedge accounting

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

(7) Consumption taxes

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

(8) Consolidated tax return system

The consolidated tax return system has been adopted.

### 2. Balance Sheet

(1) Amounts of less than one million yen have been rounded down.

(2) Short-term monetary receivables from subsidiaries: ¥50,629 million

Short-term monetary payables to subsidiaries: ¥5,818 million

Long-term monetary receivables from subsidiaries: ¥587,194 million

The amounts above include amounts to/from subsidiaries which are presented separately in the balance sheet.

(3) Accumulated depreciation of tangible fixed assets: ¥16 million

(4) Assets provided as security

Shares of subsidiaries ¥15,342 million

This amount includes assets provided for secured guarantees.

(5) Contingent liabilities for guarantees: ¥668,678 million

### 3. Statement of Operation

- (1) Amounts of less than one million yen have been rounded down.
- (2) Transactions with subsidiaries
- |                             |                 |
|-----------------------------|-----------------|
| Operating revenues:         | ¥16,197 million |
| Operating expenses:         | ¥1,603 million  |
| Non-operating transactions: | ¥15,832 million |
- (3) Net income per share: ¥0.13

### Proposal for Appropriation of Retained Earnings

- (1) Appropriation of retained earnings

Item	Amount
Unappropriated retained earnings	¥8,984,245,759
The proposed appropriation is as follows:	
Cash dividends (¥4 per share)	¥7,922,159,444
Unappropriated retained earnings to be carried forward	¥1,062,086,315

Dividends are computed after excluding 1,843,389 shares of treasury stock.

- (2) Appropriation of other capital surplus

Item	Amount
Other capital surplus	¥63,455,281,169
The proposed appropriation is as follows:	
Unappropriated other capital surplus to be carried forward	¥63,455,281,169

## **Report of Independent Auditors**

The Board of Directors  
Japan Airlines Corporation

May 13, 2005

Shin Nihon & Co.  
Representative and Engagement Partner      Tsunetoshi Harada  
Certified Public Accountant  
Representative and Engagement Partner      Shinichiro Suzuki  
Certified Public Accountant

In accordance with Article 2, Paragraph 1 of “The Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of Corporations,” we have audited the balance sheet, the statement of operation, the accounting matters stated in the business report, the proposal for appropriation of retained earnings and the accounting matters stated in the supplementary schedules of Japan Airlines Corporation (formerly Japan Airlines System Corporation) applicable to its 3rd fiscal year from April 1, 2004 to March 31, 2005. The accounting matters which we have audited in the business report and the supplementary schedules were derived from the accounting books and records of the Company. These financial statements and the supplementary schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion independently on these financial statements and the supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the supplementary schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules. Our audit also included procedures applied to the accounts of the Company’s subsidiaries as considered necessary. We believe that our audit provides a reasonable basis for our opinion.

As a result of our audit, it is our opinion that:

- a) the balance sheet and the statement of operation present properly the Company’s financial position and the results of its operations in accordance with the related regulations and the Articles of Incorporation,
- b) the accounting matters stated in the business report present properly the Company’s affairs in accordance with the related regulations and the Articles of Incorporation,
- c) the proposal for appropriation of retained earnings is presented in accordance with the related regulations and the Articles of Incorporation, and
- d) there is nothing to point out as to the accounting matters stated in the supplementary schedules in accordance with the provisions of the Commercial Code.

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Law.

## Copy of Report of the Board of Corporate Auditors (translation)

### Report of the Board of Corporate Auditors

May 18, 2005

We, the Board of Corporate Auditors of Japan Airlines Corporation, received from each Corporate Auditor a report on auditing methods used and the results of its audits on the execution of duties by the directors during the third fiscal year from April 1, 2004 to March 31, 2005 and compiled this audit report after consultations and do hereby report as follows;

#### 1. Outline of the auditing method used by Corporate Auditor

In according with the auditing policies and other guidelines set down by the Board of Corporate Auditors, we attended meetings of the Board of Directors and other important meetings and also received business reports from directors and other officers, reviewed important approval and other documents, and investigated the operational and financial position of the Company. With respect to subsidiaries, we requested for business reports as necessary and also investigated their operational and financial position and exchanged information and opinions with the corporate auditors of the subsidiaries. We also received reports and explanations from the independent auditors and examined the financial statements and the supplementary schedules.

With respect to competitive transactions by directors, transactions between directors and the Company in which their interests conflicts, providing of economic gains for no consideration by company, irregular transactions with subsidiaries or shareholders and acquisition or disposal of the Company's treasury stocks, in addition to the auditing method mentioned above, we requested for reports from directors and other officers and investigated the condition of the transactions concerned as necessary.

#### 2. Results of audits

- (1) The method used and results obtained by the independent auditors, Shin Nihon & Company, have been recognized to be proper and fair.
- (2) The business report has been recognized to comply with law, regulation and the Articles of Incorporation, and to correctly reflect the status of the company;
- (3) The proposal for profit appropriation is recognized to be proper in view of the company's financial position and other circumstances;
- (4) The supplementary schedules correctly reflect the particulars that should be stated, and there are no particulars for which comment is required;
- (5) No unjust act or serious fact in violation of laws, orders and the Articles of Incorporation has been detected as to directors performing their duties.

With respect to competitive transactions by directors, transactions between directors and the Company in which their interests conflicts, providing of economic gains for no consideration by company, irregular transactions with subsidiaries or shareholders and acquisition or disposal of the company's treasury stocks, there is no violation of duties by any directors, either.

- (6) As a result of investigation of subsidiaries, there is no matter to be pointed out as regards the execution of duties by the directors.

Yasunaka Furukawa, Corporate Auditor (standing)  
Toshiyuki Sakai, Corporate Auditor (standing)  
Shigeo Matsui, Corporate Auditor (standing)  
Seiso Neo, Corporate Auditor  
Yoshihisa Akiyama, Corporate Auditor  
Masao Nishimura, Corporate Auditor

The Board of Corporate Auditors  
Japan Airlines Corporation

(Note) Messrs. Yoshihisa Akiyama and Masao Nishimura are outside auditors as stipulated in Article 18, Paragraph 1 of the Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of Corporations.

## Reference Document for Exercising Voting Rights

**1. Total shareholder voting rights:** 1,950,725

**2. Proposed resolutions and reference matters**

**Proposed Resolution No.1: Approval of proposed appropriation of retained earnings for the third term**

The details of the proposed appropriation of retained earnings are set out on page 28 of the attached document.

We deeply regret that no dividend was paid in the previous term as a result of a substantial consolidated loss that was incurred because of factors such as the Iraq conflict and outbreaks of SARS (severe acute respiratory syndrome).

The environment in which the JAL Group finds itself remains very harsh. However, in view of the fact that factors such as passenger demand on international routes enabled us to achieve a consolidated net profit in the reporting term and that we attach considerable importance to the payment of dividends, we propose to pay an ordinary dividend of ¥4 per share.

**Proposed Resolution No. 2: Amendments to the Articles of Incorporation**

1. Outline of the proposed resolution and the reason for amendments

- (1) Pursuant to the provisions of Article 212 of the Commercial Code, in February 2005 the Company canceled 63,082,000 shares of its treasury stock, thereby decreasing by that amount the total number of its authorized shares, to 6,936,918,000 shares. To restore that figure to the former total of 7,000,000,000 shares, it is proposed to make the necessary amendments to Article 5 of the Company's current Articles of Incorporation.
- (2) In order to increase management flexibility in addressing factors that will inevitably arise with future changes in the business environment, it is necessary to diversify the methods of fund-raising available to the Company's management. To achieve this end, it is proposed that the issuance of Company shares of categories other than ordinary shares of common stock (by resolution of the Board of Directors) be made possible through the proposed amendments to Article 5 and Article 6 of the current Articles of Incorporation and the addition of the necessary new provisions (Articles 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, and 15.2).
- (3) In order to adapt to changes in the environment for corporate management by prescribing an upper limit that corresponds with the current number of directors, it is proposed that the maximum number of directors be reduced from the current 20 to 15, and that the necessary amendments be made to Article 16 of the current Articles of Incorporation

2. Details of amendments

The details of the amendments are as listed below

(portions proposed for amendments are underlined).

Current Articles of Incorporation	Proposed Amendments
<p><b>CHAPTER II SHARES</b> Article 5. Total Number of Authorized Shares The Company shall be authorized to issue Seven Billion (7,000,000,000) shares.</p>	<p><b>CHAPTER II SHARES</b> <u>Article 5. Total Number of Authorized Shares</u> The Company shall be authorized to issue <u>Seven Billion (7,000,000,000) shares, out of which Six Billion (6,000,000,000) shares shall be shares of Common Stock and one billion (1,000,000,000) shares shall be shares of Type A Stock. However, in the event that shares of Common Stock are canceled or shares of Type A Stock are either canceled or converted into shares of Common Stock, the respective numbers of shares so canceled or converted shall be subtracted from the respective total numbers of shares authorized to be issued by the Company.</u></p>
<p>Article 6. Shares 6.1 The number of shares of one unit of the Company shall be One Thousand (1,000) shares.</p>	<p><u>Article 6. Shares</u> 6.1 The number of shares of one unit of the Company shall be One Thousand (1,000) shares of <u>Common Stock or Type A Stock respectively.</u> (6.2-6.4:Same as the current provision)</p>
<p>(New provision)</p>	<p><u>Article 6-2. Preferred Dividends for Shares of Type A Stock</u> <u>6-2.1 In cases where the Company pays dividends referred to in Article 29, the Company shall, prior to any distribution to shareholders of Common Stock (hereinafter to be referred to as “Common Shareholders”) or registered pledgees of shares of Common Stock (hereinafter to be referred to as “Common Share Pledgees”), pay dividends in an amount which shall not exceed 25 yen per year per share of Type A Stock and to be determined by the Board of Directors (hereinafter to be referred to as “Type A Stock Preferred Dividends”), to shareholders of Type A Stock (hereinafter to be referred to as “Type A Shareholders”) or registered pledgees of shares of Type A Stock (hereinafter to be referred to as “Type A Pledgees”).</u> <u>6-2.2 In any case where the amount of the payment to Type A Shareholders and Type A Pledgees as dividends in a fiscal year is less than the amount of Type A Stock Preferred Dividends, the amount of the shortfall shall not be added to the amount of the dividends paid in subsequent fiscal years.</u> <u>6-2.3 No dividends shall be paid to Type A Shareholders or Type A Pledgees except Type A Stock Preferred Dividends.</u></p>
<p>(New provision)</p>	<p><u>Article 6-3. Distribution of Residual Assets</u> <u>6-3.1 In any case where the residual assets of the Company are distributed, Type A Shareholders</u></p>

Current Articles of Incorporation	Proposed Amendments
	<p><u>and Type A Pledges shall receive the amount equal to the subscription payment price of a share of Type A Stock per share of Type A Stock, prior to any distribution to Common Shareholders or Common Share Pledges.</u></p> <p><u>6-3.2. No residual assets shall be distributed to Type A Shareholders or Type A Pledges beyond the provision of 6-3.1.</u></p>
(New provision)	<p><u>Article 6-4. Repurchase</u>  <u>The Company may at any time repurchase Type A Stock.</u></p>
(New provision)	<p><u>Article 6-5. General Voting Rights</u>  <u>Type A Shareholders shall have no voting rights at a General Meeting of Shareholders.</u></p>
(New provision)	<p><u>Article 6-6. Stock Consolidation, Stock Split and Granting of Share Subscription Right</u></p> <p><u>6-6.1 The Company shall not split nor consolidate the shares of Type A Stock, except as otherwise provided by law.</u></p> <p><u>6-6.2 The Company shall not grant Type A Shareholders any rights to subscribe for new shares, share purchase warrants, or rights to subscribe for bonds with share purchase warrants.</u></p>
(New provision)	<p><u>Article 6-7. Conversion Rights</u>  <u>Type A Shareholders may, for the period during which conversion may be demanded as determined by the Board of Directors at the time of the issuance of shares of Type A Stock, demand the conversion of their own shares of such Type A Stock into shares of Common Stock in accordance to the conditions of conversion as determined by the Board of Directors.</u></p>
(New provision)	<p><u>Article 6-8. Mandatory Conversion</u></p> <p><u>6-8.1 On the date of mandatory conversion which shall be determined by the Board of Directors, but shall be no sooner than the Date (hereinafter in this Article the "Date" shall mean one day after the end of period during which conversion may be demanded), each share of Type A Stock, without demands for conversions during the period, shall be converted into the number of shares of Common Stock calculated by dividing the amount of the subscription payment per share by the average (except the days on which the closing prices do not exist) of the closing prices (including quotations on the market) in the regular transaction at the Tokyo Stock Exchange of the shares of Common Stock for thirty (30) trading days commencing forty-five (45) trading days before the Date. Such average of the closing prices shall be calculated to the first decimal place and rounded up. In this case, if the average of the closing prices (a) exceeds the upper bound conversion price determined by the Board of Directors at the time of the issuance of Type A Stock (hereinafter to be referred to as the</u></p>

Current Articles of Incorporation	Proposed Amendments
	<p><u>“Upper Bound Conversion Price”</u>), or (b) falls below the lower bound conversion price determined by the Board of Directors at the time of the issuance of the Type A Stock (hereinafter to be referred to as the <u>“Lower Bound Conversion Price”</u>), each share of the Type A Stock shall be converted into the number of shares of Common Stock calculated by dividing the amount of the subscription payment by the Upper Bound Conversion Price in case (a), or the Lower Bound Conversion Price in case (b).</p> <p>6-8.2 If in any case of fractions of less than one (1) share in calculating the number of the shares of Common Stock to be issued in accordance with Section 6-8.1, such fractional shares shall be treated pursuant to the rules for stock consolidation described in the Commercial Code.</p>
(New provision)	<p><u>Article 15-2. General Meeting of Shareholders for a Class of Shares</u></p> <p><u>15-2.1 The provisions of Articles 12, 13 and 15 shall apply mutatis mutandis to the general meeting of shareholders for a class of shares.</u></p> <p><u>15-2.2 The provisions of Articles 10 shall apply mutatis mutandis to the general meeting of shareholders for a class of shares, which shall be held on the same day as the Annual General Meeting of Shareholders.</u></p>
<p><b>CHAPTER IV</b>  <b>DIRECTORS AND BOARD OF DIRECTORS</b>  Article 16. Number of Directors  The Company shall have twenty (20) or fewer Directors.</p>	<p><b>CHAPTER IV</b>  <b>DIRECTORS AND BOARD OF DIRECTORS</b>  <u>Article 16. Number of Directors</u>  The Company shall have <u>fifteen (15)</u> or fewer Directors.</p>

### Proposed Resolution No. 3: Election of 10 directors

Since the term of the currently serving 10 directors will have expired as of the conclusion of the General Meeting of Shareholders, shareholders are requested to elect 10 directors for the coming term.

The candidates for the position of director are as indicated below.

Candidate no.	Name (date of birth)	Background and representative status at other companies	Number of shares of the Company held	Remarks concerning special interests in the Company
1	Toshiyuki SHINMACHI (Born on January 20, 1943)	<p>April 1965 Joined JAL</p> <p>June 1997 Senior Vice President, JAL</p> <p>April 2000 Managing Director, JAL</p> <p>April 2001 Senior Managing Director, JAL</p> <p>October 2002 Senior Managing Director, JALS</p> <p>June 2003 Representative &amp; Executive Vice President, JALS (currently serving)</p> <p>Representative &amp; Executive Vice President, JAL</p> <p>June 2004 Representative &amp; President, JALS</p> <p>April 2005 Representative Group CEO &amp; President, JALS (currently serving)</p> <p>Representative &amp; President, Japan Airlines International (currently serving)</p> <p>Representative &amp; President, Japan Airlines Domestic (currently serving)</p>	21,000	None
2	Katsuo HANEDA (Born on January 23, 1943)	<p>April 1965 Joined JAL</p> <p>June 1995 Senior Vice President, JAL</p> <p>June 1999 Managing Director, JAL</p> <p>April 2001 Senior Managing Director, JAL</p> <p>June 2002 Representative &amp; Executive Vice President, JAL</p> <p>October 2002 Senior Vice President, JALS (currently serving)</p> <p>April 2003 Representative &amp; President, JAL</p> <p>April 2005 Representative Executive Vice President, JALS (currently serving)</p> <p>Representative Executive Vice President, Japan Airlines International (currently serving)</p> <p>Representative Executive Vice President, Japan Airlines Domestic (currently serving)</p> <p>[Representative status at other companies] President, Japan-Mexico Hotel Investment Co., Ltd.</p>	57,000	None
3	Hidekazu NISHIZUKA (Born on January 29, 1946)	<p>April 1968 Joined JAL</p> <p>June 1998 Senior Vice President, JAL</p> <p>April 2001 Managing Director, JAL</p> <p>October 2002 Managing Director, JALS</p> <p>June 2003 Representative Senior Managing Director, JALS</p> <p>Representative Senior Managing Director, JAL</p> <p>April 2004 Representative Executive Vice President, JALS</p>	15,081	None

Candidate no.	Name (date of birth)	Background and representative status at other companies	Number of shares of the Company held	Remarks concerning special interests in the Company
		April 2005	Representative Executive Vice President, Japan Airlines International Representative Senior Managing Director, JALS (currently serving) Representative Senior Managing Director, Japan Airlines International (currently serving) Representative Senior Managing Director, Japan Airlines Domestic (currently serving)	
4	Takenori MATSUMOTO (Born on February 5, 1944)	April 1968 June 2000 June 2001 June 2003 April 2004 April 2005	Joined Ministry of Transport Senior Vice President, JAS Managing Director, JAS Representative Senior Managing Director, JAS Representative Senior Managing Director, JALS Representative Senior Managing Director, Japan Airlines International Managing Director, JALS (currently serving) Managing Director, Japan Airlines International (currently serving) Managing Director, Japan Airlines Domestic (currently serving)	12,700 None
5	Nobuyoshi SERA (Born on February 9, 1942)	April 1965 March 2000 May 2001 June 2001 October 2002	Joined TDA General Manager, Planning Office, Marketing Div., JAS Vice President, Accounting Dept., JAS Executive Officer & Vice President, Accounting Dept., JAS Senior Vice President, JALS (currently serving)	8,000 None
6	Fumio TSUCHIYA (Born on May 10, 1948)	July 1971 April 2001 November 2001 October 2002 June 2004 April 2005	Joined JAL General Manager, Income and Expenditure Planning Dept., Corporate Management Office, JAL General Manager, Income and Expenditure Planning Dept., Corporate Planning Office and General Manager, Integration Committee, Corporate Planning Office, JAL Executive Officer, JALS Senior Vice President, JALS (currently serving) Senior Vice President, Japan Airlines International (currently serving) Senior Vice President, Japan Airlines Domestic (currently serving)	11,155 None
7	Haruka NISHIMATSU (Born on January 5, 1948)	April 1972 April 1999 November 2001	Joined JAL General Manager, Treasury Dept., JAL General Manager, Treasury Dept., and General Manager, Integration Committee, Corporate Planning, JAL	10,000 None

Candidate no.	Name (date of birth)	Background and representative status at other companies	Number of shares of the Company held	Remarks concerning special interests in the Company
		<p>April 2003 Executive Officer, JALS (currently serving)</p> <p>April 2005 Senior Vice President, Japan Airlines International (currently serving)</p> <p>Senior Vice President, Japan Airlines Domestic (currently serving)</p>		
8	Shunji KONO (Born on August 1, 1927)	<p>June 1990 President, Tokio Marine and Fire Insurance</p> <p>June 1996 Chairman, TMFI</p> <p>June 1997 Senior Vice President, JAL</p> <p>June 2001 Adviser, TMFI (currently serving) (On October 1, 2004, the company's name was changed to Tokio Marine &amp; Nichido Fire Insurance Co. Ltd.)</p> <p>October 2002 Senior Vice President, JALS (currently serving)</p> <p>[Representation status at other companies] Representative Director, Shinko Building</p>	2,000	None
9	Ken MOROI (Born on April 23, 1928)	<p>August 1986 Chairman, Chichibu Cement</p> <p>October 1994 Chairman, Chichibu Onoda Cement</p> <p>June 1996 Senior Adviser, COC</p> <p>October 1998 Senior Adviser, Taiheiyo Cement</p> <p>June 1999 Senior Vice President, JAL</p> <p>June 2000 Adviser, Taiheiyo Cement (currently serving)</p> <p>October 2002 Senior Vice President, JALS (currently serving)</p>	0	None
10	Shinobu SHIMIZU (Born on February 3, 1931)	<p>June 1981 Senior Vice President, Tokyu Corp.</p> <p>June 1985 Managing Director, Tokyu</p> <p>December 1987 Senior Managing Director, Tokyu</p> <p>April 1995 President, Tokyu</p> <p>June 1997 Senior Vice President, JAS</p> <p>June 2001 Chairman, Tokyu Corp. (currently serving)</p> <p>October 2002 Senior Vice President, JALS (currently serving)</p> <p>[Representation status at other companies] President, Three Hundred Club President, Tokyu Bunkamura</p>	0	None

1. Shunji Kono, Ken Moroi and Shinobu Shimizu satisfy the requirements for external directors as stipulated in Article 188, Paragraph 2(7)-2 of the Commercial Code.
2. On June 26, 2004, Japan Airlines System Corporation changed its name to Japan Airlines Corporation.

**Proposed Resolution No. 4: Presentation of lump-sum retirement bonuses to the outgoing directors, and payment of lump-sum retirement bonuses to directors due for re-election and corporate auditors currently in office for that portion of their service rendered up to March 31, 2005**

As a result of a review of the desirable form of officers' compensation, at the meeting of the Board of Directors held in March 2005 it was resolved to cease payments of retirement bonuses as of March 31, 2005, and no longer pay them as of that date.

In order to reward Mr. Isao Kaneko, Director, who retired at the end of May 2005, for work performed during his term of office up to the end of March 2005, and it is proposed that, in order to present him with a retirement bonus in accordance with the Company's internal regulations, the Board of Directors be entrusted with the task of determining the details of the presentation, including its amount, timing and method.

If the director candidates scheduled for re-election in Proposed Resolution No. 3 are duly elected directors, it is proposed that within the limits stipulated by the Company's internal regulations those re-elected directors be paid retirement bonuses for their periods of office up to the end of March 2005, and that the Board of Directors be entrusted with the task of determining details such as the amount and method therefor. It is intended that the timing of each such payment will be the time of each director's retirement. It is also intended that the aggregate of these amounts paid to the outgoing directors and directors due to be re-elected will be no more than ¥91 million.

It is also proposed that within the limits stipulated by the Company's internal regulations, corporate auditors currently in office be paid retirement bonuses for their periods of office up to the end of March 2005, and that the determination of details such as the amount and method therefor be entrusted to agreement among the corporate auditors. It is intended that the timing of each such payment will be the time of each corporate auditor's retirement. It is also intended that the aggregate of these amounts paid to the corporate auditors currently in office will be no more than ¥51 million.

Positions in the Company recently held by the outgoing director are indicated below.

Name	Positions recently held	
Isao Kaneko	October 2002	Representative & President
	April 2004	Representative Chairman & President
	June 2004	Representative Group CEO & Chairman
	April 2005	Chairman

If Proposed Resolution No. 3 is approved, there will be a total of eight re-elected directors due for payment of retirement bonuses accrued up to the date of the cessation of payment. Their backgrounds are as indicated below.

Name	Background	
Toshiyuki Shinmachi	October 2002	Senior Managing Director
	June 2003	Representative & Executive Vice President
	June 2004	Representative & President
	April 2005	Representative Group CEO & President (Currently serving)
Hidekazu Nishizuka	October 2002	Managing Director
	June 2003	Representative Senior Managing Director
	April 2004	Representative & Executive Vice President
	April 2005	Representative Senior Managing Director (Currently serving)

Name	Background	
Takenori Matsumoto	June 2003 April 2005	Representative Senior Managing Director Managing Director (Currently serving)
Nobuyoshi Sera	October 2002	Senior Vice President (Currently serving)
Fumio Tsuchiya	June 2004	Senior Vice President (Currently serving)
Shunji Kono	October 2002	Senior Vice President (Currently serving)
Ken Moroi	October 2002	Senior Vice President (Currently serving)
Shinobu Shimizu	October 2002	Senior Vice President (Currently serving)

In addition there are five currently serving corporate auditors due for payment of retirement bonuses accrued up to the date of cessation. Their backgrounds are as indicated below.

Name	Background	
Yasunaka Furukawa	October 2002	Standing Corporate Auditor (Currently serving)
Toshiyuki Sakai	October 2002	Standing Corporate Auditor (Currently serving)
Shigeo Matsui	October 2002	Standing Corporate Auditor (Currently serving)
Yoshihisa Akiyama	October 2002	Corporate Auditor (Currently serving)
Masao Nishimura	October 2002	Corporate Auditor (Currently serving)

#### **Proposed Resolution No. 5: Revision of the amount of compensation of directors**

At the ordinary general meeting of shareholders of Japan Airlines Company, Ltd. and Japan Air System Co., Ltd. held in June 2002 it was resolved that the Company be established, whereupon it was decided that the amount of the compensation of directors would be no more than ¥416 million annually, and that figure has remained unchanged since then.

In consideration of factors such as the reduction in the number of directors, conditional upon the approval without amendment of the revision of the Articles of Incorporation relating to the number of directors in Proposed Resolution No. 2, it is proposed that the amount of the compensation of directors be revised to “no more than ¥312 million annually.”

It is also proposed that the amount of the compensation of directors shall, as previously, exclude the amount of the employee salaries due to directors who are concurrently Company employees.

There are currently 10 directors, and if Proposed Resolution No. 3 is approved without amendment, the number of directors will be 10.