

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Financial Information

For the years ended March 31, 2005 and 2004

1. Consolidated Financial Highlights

(As permitted under the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted.)

a. Consolidated operating results

(1) Total operating revenues	FY04	¥2,129,876 million	(10.3%)
	FY03	¥1,931,742 million	(-7.3%)
(2) Operating income (loss)	FY04	¥ 56,149 million	(-)
	FY03	¥ (67,645) million	(-)
(3) Ordinary income (loss)	FY04	¥ 69,805 million	(-)
	FY03	¥ (71,938) million	(-)
(4) Net income (loss)	FY04	¥ 30,096 million	(-)
	FY03	¥ (88,619) million	(-)
(5) Net income (loss) per share	FY04	¥ 15.24	
	FY03	¥ (45.19)	
(6) Diluted net income per share	FY04	¥ 13.66	
	FY03	¥ —	
(7) Return on equity	FY04	17.0%	
	FY03	-42.9%	
(8) Ordinary income as a percentage of total assets	FY04	3.3%	
	FY03	-3.4%	
(9) Ordinary income as a percentage of total operating revenues	FY04	3.3%	
	FY03	-3.7%	
(10) Equity in earnings of affiliates	FY04	¥ 1,514 million	
	FY03	¥ 1,221 million	

Note 1. Weighted-average number of shares outstanding during the year:

FY04	1,972,336,072
FY03	1,961,792,998

1. Consolidated Financial Highlights (continued)

b. Consolidated financial position

(1) Total assets	FY04	¥2,162,654 million
	FY03	¥2,113,418 million
(2) Total stockholders' equity	FY04	¥ 194,746 million
	FY03	¥ 159,273 million
(3) Stockholders' equity as a percentage of total assets	FY04	9.0%
	FY03	7.5%
(4) Equity per share	FY04	¥ 98.34
	FY03	¥ 81.16

Note 1. Number of shares outstanding at end of the year:

March 31, 2005	1,979,888,788
March 31, 2004	1,962,017,090

c. Consolidated cash flows

(1) Net cash provided by operating activities	FY04	¥ 145,275 million
	FY03	¥ 76,345 million
(2) Net cash used in investing activities	FY04	¥ (21,456) million
	FY03	¥ (85,382) million
(3) Net cash (used in) provided by financing activities	FY04	¥ (6,290) million
	FY03	¥ 7,615 million
(4) Cash and cash equivalents held at end of year	FY04	¥ 260,933 million
	FY03	¥ 143,327 million

d. Consolidation policy

See accompanying notes to consolidated financial statements.

e. Changes in accounting policy

Not applicable

2. Consolidated Financial Forecast for the Year Ending March 31, 2006

(1) Total operating revenues	¥2,209,000 million
(2) Operating income	¥ 60,000 million
(3) Ordinary income	¥ 29,000 million
(4) Net income	¥ 17,000 million
(5) Net income per share	¥ 8.59

For the assumptions underlying the forecast and other concerns, refer to page xx of the attached documents.

3. Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

Japan Airlines Corporation (the “Company”) owns 288 subsidiaries and currently consolidates 156 subsidiaries, including the following principal subsidiaries:

JAPAN AIRLINES INTERNATIONAL CO., LTD. (formerly Japan Airlines Company, Ltd.)
JAPAN AIRLINES DOMESTIC CO., LTD. (formerly Japan Air System Co., Ltd.)
JAPAN ASIA AIRWAYS CO., LTD.
JAPAN TRANS OCEAN AIR CO., LTD.
JALWAYS CO., LTD.
JAL EXPRESS CO., LTD.
JAPAN AIR COMMUTER CO., LTD.
AGP CORPORATION
JAL SALES CO., LTD.
JALPAK CO., LTD.
JAL TOURS CO., LTD.
JAL HOTELS COMPANY LTD.
JALUX INC.

The number of unconsolidated subsidiaries which are not accounted for by the equity method is currently 132.

The number of affiliates is currently 96, including 21 companies which are accounted for by the equity method.

Creative Tours Dusseldorf GMBH merged with Jalpak International (Germany) GMBH (formerly Creative Reise GMBH) and Nihon Food Service Co., Ltd. merged with Inflight Foods Co., Ltd (formerly Yamato Shokuzai Co., Ltd.).

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

Consolidation:

(Increase)	3	JTA INFORMATION & COMMUNICATION CO., LTD. RYUKYU AIR COMMUTER CO., LTD. JALPAK INTERNATIONAL (CHINA) CO., LTD.
(Decrease)	7	CREATIVE TOURS DUSSELDORF GMBH NIHON FOOD SERVICE CO., LTD. ORIENT NETWORK (INTERNATIONAL) PTE LTD. ORIENT NETWORK (SINGAPORE) PTE LTD. ORIENT NETWORK JAPAN CO., LTD JAL PLANNING CO., LTD. JAL CULTURAL DEVELOPMENT CO., LTD.

Equity method:

(Decrease)	3	JTA INFORMATION & COMMUNICATION CO., LTD. RYUKYU AIR COMMUTER CO., LTD. MTJ DEVELOPMENT SDN. BHD.
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Japan Airlines Corporation and Consolidated Subsidiaries

Comparative Consolidated Balance Sheets

March 31, 2005 and 2004

	2005	2004	Change
	<i>(Millions of yen)</i>		
Assets			
I. Current assets			
Cash and time deposits	¥ 252,573	¥ 143,775	¥ 108,798
Notes and accounts receivable – trade	222,934	208,606	14,327
Short-term investments in securities	666	656	9
Supplies	76,335	75,784	551
Deferred income taxes	9,618	8,690	927
Other current assets	123,951	84,793	39,158
Allowance for bad debts	(2,905)	(3,231)	325
Total current assets	683,174	519,076	164,098
II. Fixed assets			
Tangible fixed assets:			
Buildings and structures	224,690	240,189	(15,499)
Machinery, equipment and vehicles	34,770	37,773	(3,003)
Flight equipment	814,760	872,256	(57,495)
Land	66,809	86,362	(19,553)
Construction in progress	27,217	60,424	(33,206)
Other tangible fixed assets	23,496	25,275	(1,778)
Total tangible fixed assets	1,191,744	1,322,281	(130,537)
Intangible fixed assets:			
Software	67,871	64,551	3,319
Goodwill	–	61	(61)
Other intangible fixed assets	1,983	2,050	(67)
Total intangible fixed assets	69,854	66,663	3,191
Investments:			
Investments in securities	80,640	76,806	3,833
Long-term loans receivable	16,602	18,902	(2,299)
Deferred income taxes	44,595	49,645	(5,049)
Other investments	78,933	63,155	15,777
Allowance for bad debts	(2,967)	(3,235)	267
Total investments	217,804	205,274	12,529
Total fixed assets	1,479,403	1,594,219	(114,816)
III. Deferred charges			
Bond issuance expenses	76	123	(46)
Total deferred charges	76	123	(46)
Total assets	¥2,162,654	¥2,113,418	¥ 49,235

	2005	2004	Change
	<i>(Millions of yen)</i>		
Liabilities			
I. Current liabilities			
Accounts payable – trade	¥ 213,783	¥ 206,043	¥ 7,740
Short-term borrowings	11,611	10,782	829
Current portion of bonds	15,000	23,700	(8,700)
Current portion of long-term loans	110,636	118,545	(7,909)
Accrued income taxes	6,464	6,572	(107)
Deferred income taxes	154	60	94
Other current liabilities	211,488	194,855	16,633
Total current liabilities	569,140	560,559	8,580
II. Non-current liabilities			
Bonds	310,000	225,000	85,000
Long-term loans	862,223	936,390	(74,167)
Accrued pension and severance costs	149,665	163,128	(13,462)
Deferred income taxes	645	120	525
Other non-current liabilities	50,458	44,806	5,651
Total non-current liabilities	1,372,993	1,369,446	3,547
Total liabilities	1,942,133	1,930,005	12,128
 Minority interests	 25,774	 24,139	 1,634
 Stockholders' equity			
I. Common stock	100,000	100,000	–
II. Capital surplus	136,141	136,678	(537)
III. Accumulated deficit	(34,978)	(65,031)	30,053
IV. Net unrealized gain on investments in securities, net of deferred income taxes	3,765	2,787	978
V. Translation adjustments	(9,406)	(9,958)	552
VI. Common stock in treasury	(775)	(5,202)	4,426
Total stockholders' equity	194,746	159,273	35,473
Total liabilities and stockholders' equity	¥2,162,654	¥2,113,418	¥49,235

Japan Airlines Corporation and Consolidated Subsidiaries

Comparative Consolidated Statements of Operations

For the years ended March 31, 2005 and 2004

	2005	2004	Change
	<i>(Millions of yen)</i>		
Operating revenues	¥2,129,876	¥1,931,742	¥198,134
Operating expenses:			
Cost of operating revenues	1,685,675	1,605,917	79,758
Selling, general and administrative expenses	388,051	393,470	(5,418)
Total operating expenses	<u>2,073,727</u>	<u>1,999,387</u>	<u>74,339</u>
Operating income (loss)	56,149	(67,645)	123,794
Non-operating income:			
Interest and dividend income	3,170	2,928	241
Equity in earnings of affiliates	1,514	1,221	292
Exchange gain, net	2,075	424	1,651
Other non-operating income	57,686	38,450	19,236
Total non-operating income	<u>64,446</u>	<u>43,024</u>	<u>21,421</u>
Non-operating expenses:			
Interest expense	24,875	28,503	(3,628)
Other non-operating expenses	25,914	18,813	7,100
Total non-operating expenses	<u>50,790</u>	<u>47,317</u>	<u>3,472</u>
Ordinary income (loss)	69,805	(71,938)	141,743
Extraordinary profit:			
Gain on sales of fixed assets	1,905	1,330	575
Subsidy received in relation to purchases of aircraft to be used for isolated island routes	1,716	1,618	98
Gain recognized upon separation of substitutional portion of benefit obligation of welfare pension fund plans	—	755	(755)
Gain on sales of investments in securities	1,334	1,235	99
Other extraordinary profit	1,615	1,985	(369)
Total extraordinary profit	<u>6,571</u>	<u>6,923</u>	<u>(352)</u>
Extraordinary losses:			
Loss on sales and disposal of fixed assets	13,840	5,153	8,686
Loss on cancellation of lease contracts	9,682	—	9,682
Loss on investments in unconsolidated subsidiaries and affiliates	—	6,518	(6,518)
Other extraordinary losses	8,188	5,462	2,725
Total extraordinary losses	<u>31,710</u>	<u>17,134</u>	<u>14,576</u>
Income (loss) before income taxes and minority interests	44,666	(82,148)	126,815
Income taxes – current	7,897	8,854	(956)
Income taxes – deferred	4,251	(3,092)	7,344
Minority interests	(2,420)	(709)	(1,710)
Net income (loss)	<u>¥ 30,096</u>	<u>¥ (88,619)</u>	<u>¥118,716</u>

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statements of Capital Surplus and
Accumulated Deficit/Retained Earnings

For the years ended March 31, 2005 and 2004

	2005	2004
	<i>(Millions of yen)</i>	
Capital surplus		
Balance at beginning of year	¥136,678	¥147,175
Increase:		
Stock issued under share exchange (<i>kabushiki-kohkan</i>)	5,069	—
Gain on sales of common stock in treasury	1,821	—
Decrease:		
Cash dividends	—	7,844
Loss on disposal of common stock in treasury	—	2,652
Cancellation of common stock in treasury	7,428	—
Balance at end of year	<u>¥136,141</u>	<u>¥136,678</u>
 (Accumulated deficit) retained earnings		
Balance at beginning of year	¥ (65,031)	¥ 23,481
Increase:		
Net income	30,096	—
Change in scope of consolidation	—	144
Decrease:		
Net loss	—	88,619
Bonuses to directors and statutory auditors	43	38
Balance at end of year	<u>¥ (34,978)</u>	<u>¥ (65,031)</u>

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the years ended March 31, 2005 and 2004

	2005	2004
	<i>(Millions of yen)</i>	
Operating activities		
Income (loss) before income taxes and minority interests	¥ 44,666	¥ (82,148)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	124,713	119,388
Gain and loss on sales of, and loss on revaluation of, short-term investments in securities and investments in securities, net	(171)	(569)
Gain and loss on sales of, and loss on disposal of, fixed assets, net	25,702	17,846
Net provision for accrued pension and severance costs	(13,645)	19,459
Interest and dividend income	(3,170)	(2,928)
Interest expense	24,875	28,503
Exchange (gain) loss, net	(200)	547
Equity in earnings of affiliates	(1,514)	(1,221)
Increase in notes and accounts receivable	(16,000)	(7,215)
(Increase) decrease in supplies	(209)	2,387
Increase in accounts payable	7,545	2,608
Other	(15,743)	14,366
Subtotal	176,848	111,023
Interest and dividends received	3,648	3,386
Interest paid	(25,686)	(29,003)
Income taxes paid	(9,535)	(9,060)
Net cash provided by operating activities	145,275	76,345
Investing activities		
Purchases of time deposits	(1,367)	(1,092)
Proceeds from maturity of time deposits	281	996
Purchases of fixed assets	(121,960)	(151,585)
Proceeds from sales of fixed assets	94,927	57,285
Purchases of investments in securities	(4,531)	(974)
Proceeds from sales and maturity of investments in securities	2,363	3,615
Proceeds from sales of consolidated subsidiaries resulting in change in scope of consolidation	—	103
Long-term loans receivable made	(2,787)	(2,853)
Collection of long-term loans receivable	6,273	8,875
Other	5,344	247
Net cash used in investing activities	(21,456)	(85,382)

	2005	2004
	<i>(Millions of yen)</i>	
Financing activities		
Increase (decrease) in short-term borrowings, net	¥ 39	¥ (9,976)
Proceeds from long-term loans	48,182	200,882
Repayment of long-term loans	(130,978)	(134,638)
Proceeds from issuance of bonds	99,975	29,815
Redemption of bonds	(23,700)	(67,495)
Dividends paid to stockholders	(12)	(7,813)
Dividends paid to minority interests	(315)	(334)
Other	519	(2,825)
Net cash (used in) provided by financing activities	(6,290)	7,615
Effect of exchange rate changes on cash and cash equivalents	272	(1,568)
Net increase (decrease) in cash and cash equivalents	117,801	(2,991)
Cash and cash equivalents at beginning of year	143,327	146,318
Decrease in cash and cash equivalents arising from exclusion from consolidation	(195)	—
Cash and cash equivalents at end of year	¥ 260,933	¥ 143,327
Reconciliation between cash and time deposits in balance sheets to cash and cash equivalents at end of year		
Cash and time deposits in balance sheets	¥ 252,573	¥ 143,775
Time deposits with original maturities of more than three months	(1,513)	(448)
Short-term investments in securities with original maturities of three months or less	0	0
Short-term investments included in other current assets, with maturities of three months or less	9,998	—
Current account overdrafts included in short-term borrowings	(126)	—
Cash and cash equivalents at end of year	¥ 260,933	¥ 143,327

Japan Airlines Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2005 and 2004

1. Summary of Significant Accounting Policies

a. Basis of presentation

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

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

b. Principles of consolidation and accounting for investments in affiliates

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

The balance sheet date of 27 of the consolidated subsidiaries is December 31, 2004 and for 1 consolidated subsidiary, it is February 28, 2005. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1, 2005 through March 31, 2005 and the period from March 1, 2005 through March 31, 2005 have been adjusted, if necessary.

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

1. Summary of Significant Accounting Policies (continued)

c. Cash equivalents

The Company and its consolidated subsidiaries define cash equivalents as highly liquid, short-term investments with original maturities of three months or less.

d. Securities

Investments in marketable securities are stated at fair value, and net unrealized gain or loss on such securities is accounted for as a separate component of stockholders' equity. Investments in non-marketable securities are stated at cost. Cost of securities sold is principally determined by the moving average method.

e. Derivatives

Derivatives are stated at fair value.

f. Supplies

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

g. Tangible and intangible fixed assets

Tangible fixed assets

Aircraft, spare engines and spare parts contained in flight equipment	– The straight-line method or the declining-balance method based on their estimated useful lives
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Ground property and equipment:

Japan Airlines International Co., Ltd. and Japan Airlines Domestic Co., Ltd.	– The straight-line method based on their estimated useful lives
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Other companies	– Principally the declining-balance method based on their useful lives
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Intangible fixed assets	– The straight-line method based on their useful lives
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h. Deferred charges

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

i. Accrued pension and severance costs

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

1. Summary of Significant Accounting Policies (continued)

j. Accrued pension and severance costs (continued)

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

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

On September 10, 2004, JAL Pension Fund, in which a consolidated subsidiary, Japan Airlines International Co., Ltd., is a participant resolved the revise of internal regulations to introduce an option similar to a cash balance pension plan and certain other options in addition to the exiting options. As a result, operating income, ordinary income and income before income taxes and minority interests for the current year increased by ¥51,292 million, respectively.

In the semi-annual consolidated financial statement for the six months ended September 30, 2004, the Company reported that operating income, ordinary income and income before income taxes and minority interests for the six months ended September 30, 2004 were increased by ¥62,401 million, respectively, based on the resolution above. However, the revised internal regulations filed to and approved by the authority was partly changed from the resolution and this change was reflected to the consolidated financial statements for the year ended March 31, 2005.

k. Allowance 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.

l. Foreign currency accounts

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

1. Summary of Significant Accounting Policies (continued)

m. 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.

As lessor

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

n. Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged item is recognized. Foreign receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met. The related interest differential paid or received on interest-rate swaps used as hedging instruments is recognized over the term of each swap agreement as an adjustment to the interest expense of the underlying hedged items if certain conditions are met.

o. Consumption taxes

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

p. Income taxes

The Company and certain domestic subsidiaries applied the Japanese consolidated tax return system.

q. Appropriation of capital surplus and/or retained earnings and disposition of accumulated deficit

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

2. Other Footnote Information

- a. Accumulated depreciation at March 31, 2005 and 2004 amounted to ¥1,612,847 million and ¥1,632,427 million, respectively.
- b. At March 31, 2005 and 2004, contingent liabilities for guarantees amounted to ¥20,096 million and ¥17,208 million, respectively. In addition, at March 31, 2005 and 2004, contingent liabilities for commitment such as guarantees, keep-well agreements and others amounted to ¥921 million and ¥1,994 million, respectively.
- c. At March 31, 2005 and 2004, assets pledged as collateral amounted to ¥844,174 million and ¥882,249 million, respectively. Further, shares of certain consolidated subsidiaries were pledged as collateral at March 31, 2005. In addition, at March 31, 2005 and 2004, collateralized indebtedness amounted to ¥544,779 million and ¥600,082 million, respectively.
- d. At March 31, 2005 and 2004, shares of common stock in treasury numbered 2,494,462 and 18,448,160, respectively.

3. Segment Information

a. Business segment information

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

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 is summarized as follows:

	Year ended March 31, 2005					General corporate assets and intercompany eliminations	Consolidated
	Air transportation	Airline-related business	Travel services	Other	Total		
	<i>(Millions of yen)</i>						
Operating revenues	¥1,493,701	¥103,157	¥381,784	¥151,232	¥2,129,876	¥ –	¥2,129,876
Inter-group sales and transfers	207,666	190,618	42,755	116,857	557,897	(557,897)	–
Total	1,701,367	293,776	424,539	268,090	2,687,774	(557,897)	2,129,876
Operating expenses	1,659,709	288,443	424,813	257,994	2,630,961	(557,234)	2,073,727
Operating income (loss)	¥ 41,658	¥ 5,332	¥ (273)	¥ 10,095	¥ 56,812	¥ (663)	¥ 56,149
Identifiable assets	¥1,854,034	¥125,912	¥ 83,126	¥343,023	¥2,406,097	¥(243,442)	¥2,162,654
Depreciation and amortization	¥ 106,404	¥ 3,058	¥ 1,381	¥ 14,165	¥ 125,009	¥ (296)	¥ 124,713
Capital expenditures	¥ 107,876	¥ 4,545	¥ 1,518	¥ 5,098	¥ 119,039	¥ (1,501)	¥ 117,538

3. Segment Information (continued)

a. Business segment information (continued)

	Year ended March 31, 2004					General corporate assets and intercompany eliminations	Consolidated
	Air transportation	Airline-related business	Travel services	Other	Total		
	<i>(Millions of yen)</i>						
Operating revenues	¥1,370,548	¥ 75,775	¥337,356	¥148,061	¥1,931,742	¥ –	¥1,931,742
Inter-group sales and transfers	178,274	167,991	44,591	110,060	500,917	(500,917)	–
Total	1,548,823	243,766	381,948	258,122	2,432,659	(500,917)	1,931,742
Operating expenses	1,621,002	241,875	385,894	251,735	2,500,507	(501,119)	1,999,387
Operating (loss) income	¥ (72,179)	¥ 1,891	¥ (3,946)	¥ 6,386	¥ (67,847)	¥ 201	¥ (67,645)
Identifiable assets	¥1,791,150	¥113,582	¥ 79,979	¥356,812	¥2,341,525	¥(228,106)	¥2,113,418
Depreciation and amortization	¥ 103,303	¥ 3,029	¥ 1,335	¥ 12,006	¥ 119,675	¥ (286)	¥ 119,388
Capital expenditures	¥ 144,312	¥ 2,574	¥ 1,800	¥ 6,572	¥ 155,259	¥ (997)	¥ 154,262

Until the year ended March 31, 2003, the business segment information was presented in four major categories: the air transportation segment, the travel services segment, the hotel and resort operations segment and a segment entitled ‘other’ which included card and lease operations, trading and other airline-related business. Effective the year ended March 31, 2004, the Company has revised its method of segmentation. The airline-related business, which had been included in “Other” until the year ended March 31, 2003, has been presented as a new segment since, under the Company’s current business strategies, it is a separate function of the air transportation business. In addition, the hotel and resort operations business, which had been presented as a separate segment until the year ended March 31, 2003, has been included in “Other” for the year ended March 31, 2004 since its size has decreased following a change in basic business strategy under which it now operates its businesses under a system of administration contracts.

3. Segment Information (continued)

b. Operating revenues from overseas operations

Operating revenues from overseas operations, which include international passenger and cargo services of Japan Airlines International Co., Ltd., Japan Asia Airways Co., Ltd. and JALways Co., Ltd., export sales of domestic subsidiaries, and sales of subsidiaries outside Japan for the year ended March 31, 2005 is summarized as follows:

	Year ended March 31, 2005			
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from overseas operations	¥449,282	¥351,864	¥211,176	¥1,012,322
Consolidated operating revenues	—	—	—	¥2,129,876
Consolidated operating revenues as a percentage of operating revenues from overseas operations	21.1%	16.5%	9.9%	47.5%

Operating revenues from overseas operations, which include international passenger and cargo services of Japan Airlines Company, Ltd., Japan Air System Co., Ltd., Japan Asia Airways Co., Ltd. and JALways Co., Ltd., export sales of domestic subsidiaries, and sales of subsidiaries outside Japan for the year ended March 31, 2004 is summarized as follows:

	Year ended March 31, 2004			
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from overseas operations	¥348,492	¥302,232	¥187,973	¥ 838,698
Consolidated operating revenues	—	—	—	¥1,931,742
Consolidated operating revenues as a percentage of operating revenues from overseas operations	18.0%	15.7%	9.7%	43.4%

c. Geographic information

Total assets in Japan at March 31, 2005 and 2004 and operating revenues from the operations in Japan for the years then ended represented more than 90% of consolidated total assets and consolidated operating revenues, respectively. As a result, geographic information is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

4. Leases

As lessee

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2005 and 2004 and the related depreciation and interest expense for the years ended March 31, 2005 and 2004, which would have been reflected in the consolidated balance sheets and the related statements of operations if capital lease accounting had been applied to the capital leases currently accounted for as operating leases:

	March 31, 2005		
	Flight equipment	Other	Total
	(Millions of yen)		
Acquisition costs	¥ 571,954	¥16,516	¥ 588,471
Less accumulated depreciation	(192,296)	(7,277)	(199,574)
Net book value	¥ 379,657	¥ 9,239	¥ 388,896
	March 31, 2004		
	Flight equipment	Other	Total
	(Millions of yen)		
Acquisition costs	¥ 499,349	¥ 25,604	¥ 524,953
Less accumulated depreciation	(205,948)	(10,940)	(216,888)
Net book value	¥ 293,400	¥ 14,664	¥ 308,064
	Year ended March 31,		
	2005	2004	
	(Millions of yen)		
Depreciation expense	¥53,438	¥48,654	
Interest expense	¥ 5,550	¥ 5,090	

Lease expenses relating to capital leases accounted for as operating leases amounted to ¥59,541 million and ¥55,537 million for the years ended March 31, 2005 and 2004, respectively.

4. Leases (continued)

As lessee (continued)

The present value of future rental expenses under capital leases outstanding at March 31, 2005 and 2004 which have been accounted for as operating leases is summarized as follows:

	March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Within 1 year	¥ 51,004	¥ 47,332
Over 1 year	345,002	268,508
	<u>¥396,007</u>	<u>¥315,840</u>

Future rental expenses under operating leases outstanding at March 31, 2005 and 2004 were as follows:

	March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Within 1 year	¥ 27,274	¥ 24,175
Over 1 year	164,947	167,368
	<u>¥192,222</u>	<u>¥191,544</u>

As lessor

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2005 and 2004, and the related depreciation and interest revenue for the years ended March 31, 2005 and 2004, which are reflected in the consolidated balance sheets and the related statements of operations:

	March 31, 2005		
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥ –	¥ 1,940	¥ 1,940
Less accumulated depreciation	(–)	(1,421)	(1,421)
Net book value	<u>¥ –</u>	<u>¥ 519</u>	<u>¥ 519</u>

	March 31, 2004		
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥ 347	¥ 2,559	¥ 2,907
Less accumulated depreciation	(324)	(1,702)	(2,027)
Net book value	<u>¥ 23</u>	<u>¥ 857</u>	<u>¥ 880</u>

4. Leases (continued)

As lessor (continued)

	Year ended March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Depreciation expense	¥409	¥513
Interest revenues	¥ 27	¥ 51

Lease revenues relating to direct financing leases accounted for as operating leases amounted to ¥467 million and ¥602 million for the years ended March 31, 2005 and 2004, respectively.

The present value of future rental revenues under direct financing leases outstanding at March 31, 2005 and 2004 which have been accounted for as operating leases is summarized as follows:

	March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Within 1 year	¥289	¥433
Over 1 year	251	474
	¥540	¥907

Future rental revenues under operating leases outstanding at March 31, 2005 and 2004 are summarized as follows:

	March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Within 1 year	¥15	¥15
Over 1 year	—	15
	¥15	¥31

5. Tax-Effect Accounting

The significant components of deferred tax assets and liabilities and the related valuation allowance at March 31, 2005 and 2004 were as follows:

	March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Deferred tax assets:		
Accrued pension and severance costs	¥ 45,687	¥ 53,683
Revaluation loss on investments in subsidiaries and affiliates	21,494	14,483
Deferred gain on hedging instruments	9,783	—
Accounts payable – trade	4,198	3,203
Accrued bonuses	2,358	2,526
Allowance for bad debts	2,427	1,814
Revaluation loss on flight equipment spare parts	3,630	2,287
Tax loss carryforward	24,724	44,994
Other	20,239	20,530
	<u>134,545</u>	<u>143,524</u>
Deferred tax liabilities:		
Accumulated earnings of consolidated subsidiaries and affiliates	(6,006)	(5,424)
Net unrealized gain on investments in securities	(2,487)	(2,042)
Other	(3,309)	(3,910)
	<u>(11,803)</u>	<u>(11,377)</u>
Valuation allowance	(69,328)	(73,992)
Deferred tax assets, net	<u>¥ 53,412</u>	<u>¥ 58,155</u>

A reconciliation between the Japanese statutory tax rate and the effective tax rate for the year ended March 31, 2005 is as follows:

	Year ended March 31, 2005
Japanese statutory tax rate	40.7%
Disallowed expenses, including entertainment expenses	4.3
Dividends received	(9.6)
Equity in earnings of affiliates	(1.4)
Inhabitants' per capita taxes	0.7
Change in valuation allowance	(10.4)
Tax effect on undistributed earnings of consolidated subsidiaries	2.2
Difference in tax rates of consolidated subsidiaries	(2.1)
Other	2.8
Effective tax rate	<u>27.2%</u>

For the year ended March 31, 2004, a reconciliation between the Japanese statutory tax rate and the Company's effective tax rate is not required to be disclosed since the Company recorded a loss before income taxes and minority interests. The statutory tax rate for the year ended March 31, 2004 was 43.9%.

6. Fair Value of Investments in Securities

The components of net unrealized gain (loss) on investments in marketable securities at March 31, 2005 and 2004 are summarized as follows:

March 31, 2005			
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Unrealized gain:			
Stocks	¥14,067	¥21,052	¥6,985
Bonds	59	62	2
Other	738	748	9
	14,866	21,863	6,997
Unrealized loss:			
Stocks	2,529	1,968	(560)
Bonds	10	9	(0)
Other	316	311	(5)
	2,855	2,289	(565)
Total	¥17,721	¥24,153	¥6,431

March 31, 2004			
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Unrealized gain:			
Stocks	¥ 9,937	¥15,346	¥5,409
Bonds	117	119	2
Other	861	876	14
	10,916	16,343	5,426
Unrealized loss:			
Stocks	3,574	3,159	(415)
Bonds	52	51	(0)
Other	77	73	(4)
	3,704	3,284	(420)
Total	¥14,621	¥19,627	¥5,005

Proceeds from sales of securities classified as other securities for the years ended March 31, 2005 and 2004 amounted to ¥156 million and ¥16,541 million, respectively. The aggregate gain realized on those sales for the years ended March 31, 2005 and 2004 totaled ¥75 million and ¥500 million, respectively, and the aggregate loss realized on those sales for the years ended March 31, 2005 and 2004 totaled ¥3 million and ¥19 million, respectively.

6. Fair Value of Investments in Securities (continued)

Investments in non-marketable securities at March 31, 2005 and 2004 are summarized as follows.

	March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Money Management Fund	¥ 0	¥ 0
Unlisted stocks other than over-the-counter stocks	26,742	26,702
Other	108	106
	<u>¥26,851</u>	<u>¥26,809</u>

The redemption schedule at March 31, 2005 and 2004 for bonds with maturity dates is summarized as follows:

	2005	
	Due in one year or less	Due after one year through five years
	<i>(Millions of yen)</i>	
Government bonds	¥ –	¥ 7
Corporate bonds	10	10
Total	<u>¥10</u>	<u>¥17</u>

	2004	
	Due in one year or less	Due after one year through five years
	<i>(Millions of yen)</i>	
Government bonds	¥ –	¥ 7
Corporate bonds	100	20
Total	<u>¥100</u>	<u>¥27</u>

7. Accrued Pension and Severance Costs

An employee whose employment is terminated is entitled, in most cases, to a lump-sum severance payment, the amount of which is determined by reference to the basic rate of pay, length of service and the conditions under which the termination occurs.

Certain significant domestic subsidiaries have established defined benefit pension plans pursuant to the Welfare Pension Insurance Law of Japan and welfare pension fund plans (WFPF).

7. Accrued Pension and Severance Costs (continued)

On September 10, 2004, JAL Pension Fund, in which a consolidated subsidiary, Japan Airlines International Co., Ltd., is a participant resolved to introduce an option similar to a cash balance pension plan and certain other options in addition to the exiting options.

In addition, Japan Airlines International Co., Ltd. determined to introduce an option, under which the employees may choose a defined contribution pension or severance pay prepayment system as a part of the current lump-sum payment.

	March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Projected benefit obligation	¥(906,702)	¥(936,352)
Plan assets	423,435	396,371
Accrued pension and severance costs	149,665	163,128
Prepaid pension cost	(21,975)	(647)
Net unrecognized amount	<u>¥(355,577)</u>	<u>¥(377,499)</u>

The net unrecognized amount presented above consisted of the following:

	March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Unrecognized obligation at transition	¥(147,215)	¥(162,239)
Adjustment to actuarial assumptions	(209,225)	(216,246)
Unrecognized past service cost	863	986
Total	<u>¥(355,577)</u>	<u>¥(377,499)</u>

The substitutional portion of the benefits under the WFPF has been included in the amounts shown in the above table.

The components of net periodic pension cost were as follows:

	For the year ended March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Service cost	¥ 32,738	¥ 31,421
Interest cost on projected benefit obligation	23,848	27,386
Expected return on plan assets	(18,895)	(15,987)
Amortization of unrecognized obligation at transition	14,819	14,844
Amortization of adjustment to actuarial assumptions	16,706	12,554
Amortization of past service cost	(51,362)	(126)
Other	126	—
Net periodic pension cost	<u>¥ 17,982</u>	<u>¥ 70,093</u>

7. Accrued Pension and Severance Costs (continued)

The actuarial assumptions used were as follows:

	For the year ended March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Discount rates for obligation at end of year	2.5% ~ 2.8%	2.5% ~ 2.8%
Expected rates of return on plan assets	0.0% ~ 5.5%	0.0% ~ 5.5%

The adjustment for actuarial assumptions is being amortized over a period ranging from 5 to 15 years, which is less than the average remaining years of service of the active participants in the plans. Amortization is computed from the fiscal year subsequent to the year in which the adjustment was recorded.

The unrecognized obligation at transition is being amortized principally over 15 years.

Past service cost is principally charged to income in the period when 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.

Components of Revenues from the Air Transportation Segment

	2005		2004		Change
	Amount	Percentage	Amount	Percentage	Percentage
<i>(Millions of yen)</i>					
International:					
Passenger operations	¥ 671,291	39.5	¥ 549,764	35.5	122.1
Cargo operations	171,399	10.1	153,015	9.9	112.0
Mail service operations	7,632	0.4	8,315	0.5	91.8
Luggage operations	2,487	0.1	2,149	0.1	115.7
Subtotal	852,810	50.1	713,246	46.0	119.6
Domestic:					
Passenger operations	674,732	39.7	668,888	43.2	100.9
Cargo operations	30,534	1.8	30,814	2.0	99.1
Mail service operations	9,963	0.6	11,856	0.8	84.0
Luggage operations	234	0.0	306	0.0	76.3
Subtotal	715,464	42.1	711,866	46.0	100.5
Other revenues	46,473	2.7	41,925	2.7	110.8
Incidental business revenues	86,619	5.1	81,785	5.3	105.9
Total revenues	<u>¥1,701,367</u>	<u>100.0</u>	<u>¥1,548,823</u>	<u>100.0</u>	<u>109.8</u>