

Japan Airlines Corporation

Non-Consolidated Financial Information

For the years ended March 31, 2005 and 2004

Non-Consolidated Financial Highlights

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

1. Non-Consolidated Operating Results

(Millions of yen except for per share information)

(1) Total operating revenues	FY04	¥16,197 (-24.1%)
	FY03	¥21,329 (571.5%)
(2) Operating income	FY04	¥ 617 (-94.1%)
	FY03	¥10,374 (—)
(3) Ordinary income	FY04	¥ 489 (-95.2%)
	FY03	¥10,167 (—)
(4) Net income	FY04	¥ 270 (-96.9%)
	FY03	¥ 8,701 (—)
(5) Net income per share	FY04	¥ 0.13
	FY03	¥ 4.41
(6) Diluted net income per share	FY04	¥ 0.12
	FY03	¥ —
(7) Return on equity	FY04	0.1%
	FY03	3.0%
(8) Ordinary income as a percentage of total assets	FY04	0.1%
	FY03	1.3%
(9) Ordinary income as a percentage of total operating revenues	FY04	3.0%
	FY03	47.7%

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

FY04	2,018,105,840
FY03	1,972,757,752

2. Dividends

(1) Annual dividends per share	FY04	¥	4.00
	FY03	¥	0.00
(2) Total annual dividends	FY04	¥	7,922 million
	FY03		—
(3) Dividends as a percentage of net income	FY04		2,928.0%
	FY03		—
(4) Dividends as a percentage of equity	FY04		2.9%
	FY03		—

3. Non-Consolidated Financial Position

(1) Total assets	FY04	¥1,016,808 million
	FY03	¥ 931,961 million
(2) Total stockholders' equity	FY04	¥ 276,965 million
	FY03	¥ 285,648 million
(3) Stockholders' equity as a percentage of total assets	FY04	27.2%
	FY03	30.7%
(4) Equity per share	FY04	¥ 139.84
	FY03	¥ 145.54

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

March 31, 2005	1,980,539,861
March 31, 2004	1,962,659,184

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

March 31, 2005	1,843,389
March 31, 2004	17,806,066

4. Non-Consolidated Financial Forecast for the Year Ending March 31, 2006

(1) Total operating revenues	¥	24,600 million
(2) Operating income	¥	8,200 million
(3) Ordinary income	¥	8,100 million
(4) Net income	¥	8,000 million
(5) Annual dividends per share	¥	4.00
(6) Net income per share	¥	4.04

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

5-(1)

Japan Airlines Corporation

Comparative Non-Consolidated Balance Sheets

March 31, 2005 and 2004

(Millions of yen)

	<u>2005</u>	<u>%</u>	<u>2004</u>	<u>%</u>	<u>Change</u>
Assets					
I. Current assets					
Cash and time deposits	¥ 14,614		¥ 30		¥14,583
Accounts receivable – trade	2,546		3,741		(1,195)
Current portion of long-term loans receivable from subsidiaries	44,235		36,751		7,484
Prepaid expenses	30		38		(8)
Accounts receivable – other	5,525		5,837		(312)
Deferred income taxes	12		40		(27)
Other current assets	16		4		12
Total current assets	<u>66,981</u>	6.6	<u>46,445</u>	5.0	<u>20,536</u>
II. Fixed assets					
Tangible fixed assets:					
Furniture and fixtures	43		56		(13)
Total tangible fixed assets	<u>43</u>	0.0	<u>56</u>	0.0	<u>(13)</u>
Intangible fixed assets:					
Software	15		13		1
Other intangible fixed assets	0		0		–
Total intangible fixed assets	<u>15</u>	0.0	<u>13</u>	0.0	<u>1</u>
Investments:					
Investments in subsidiaries	362,076		300,822		61,254
Long-term loans receivable from subsidiaries	587,193		584,090		3,103
Deferred income taxes	137		18		118
Other investments	22		0		21
Total investments	<u>949,430</u>	93.4	<u>884,931</u>	95.0	<u>64,498</u>
Total fixed assets	<u>949,488</u>	93.4	<u>885,001</u>	95.0	<u>64,487</u>
III. Deferred charges					
Start-up costs	261		391		(130)
Bond issuance expenses	76		123		(46)
Total deferred charges	<u>337</u>	0.0	<u>514</u>	0.0	<u>(177)</u>
Total assets	<u>¥1,016,808</u>	100.0	<u>¥931,961</u>	100.0	<u>¥84,846</u>

(Millions of yen)

	<u>2005</u>	<u>%</u>	<u>2004</u>	<u>%</u>	<u>Change</u>
Liabilities					
I. Current liabilities					
Accounts payable – trade	¥ 621		¥ 768		¥ (146)
Short-term borrowings from a subsidiary	–		17,018		(17,018)
Current portion of long-term loans	44,235		36,751		7,484
Accounts payable – other	5,296		4,235		1,061
Accrued income taxes	26		148		(122)
Accrued expenses	2,267		3,287		(1,020)
Other current liabilities	8		12		(3)
Total current liabilities	<u>52,457</u>	5.2	<u>62,222</u>	6.7	<u>(9,765)</u>
II. Non-current liabilities					
Bonds	130,000		30,000		100,000
Long-term loans	557,193		554,090		3,103
Accrued severance costs	6		–		6
Other non-current liabilities	185		–		185
Total non-current liabilities	<u>687,385</u>	67.6	<u>584,090</u>	62.6	<u>103,294</u>
Total liabilities	<u>739,842</u>	72.8	<u>646,313</u>	69.3	<u>93,528</u>
Stockholders' equity					
I. Common stock	100,000	9.8	100,000	10.7	–
II. Capital surplus:					
Additional paid-in capital	105,069	10.3	100,000	10.7	5,069
Other capital surplus	63,455	6.3	81,908	8.8	(18,452)
Transfer from additional paid-in capital	63,406		81,887		(18,480)
Gain on sales of common stock in treasury	48		20		28
III. Retained earnings:					
Unappropriated retained earnings	8,984	0.9	8,713	1.0	270
IV. Common stock in treasury	<u>(543)</u>	(0.1)	<u>(4,973)</u>	(0.5)	<u>4,430</u>
Total stockholders' equity	<u>276,965</u>	27.2	<u>285,648</u>	30.7	<u>(8,682)</u>
Total liabilities and stockholders' equity	<u>¥1,016,808</u>	100.0	<u>¥931,961</u>	100.0	<u>¥ 84,846</u>

Japan Airlines Corporation

Comparative Non-Consolidated Statements of Income

For the years ended March 31, 2005 and 2004

	<i>(Millions of yen)</i>				
	<u>2005</u>	<u>%</u>	<u>2004</u>	<u>%</u>	<u>Change</u>
Operating revenues	¥16,197	100.0	¥21,329	100.0	¥(5,132)
Operating expenses:					
Cost of operating revenues	9,238		5,566		3,672
Selling, general and administrative expenses	6,341		5,388		952
Total operating expenses	<u>15,579</u>	96.2	<u>10,954</u>	51.4	<u>4,625</u>
Operating income	617	3.8	10,374	48.6	(9,757)
Non-operating income:					
Interest income	17		0		17
Other non-operating income	<u>22</u>		<u>9</u>		<u>13</u>
Total non-operating income	39	0.2	9	0.1	30
Non-operating expenses:					
Interest expense	13		70		(56)
Amortization of start-up costs	130		130		—
Other non-operating expenses	<u>23</u>		<u>14</u>		<u>8</u>
Total non-operating expenses	<u>167</u>	1.0	<u>215</u>	1.0	<u>(48)</u>
Ordinary income	489	3.0	10,167	47.7	(9,678)
Extraordinary loss:					
Loss on sales and disposal of fixed assets	3		1,009		(1,006)
Loss on revaluation of investments in subsidiaries	<u>103</u>		<u>—</u>		<u>103</u>
Total extraordinary loss	<u>106</u>	0.6	<u>1,009</u>	4.8	<u>(902)</u>
Income before income taxes	<u>382</u>	2.4	<u>9,158</u>	42.9	<u>(8,775)</u>
Income taxes:					
Current	203		495		(291)
Deferred	<u>(91)</u>		<u>(38)</u>		<u>(53)</u>
Net income	<u>270</u>	1.7	<u>8,701</u>	40.8	<u>(8,431)</u>
Unappropriated retained earnings at beginning of the year	<u>8,713</u>		<u>11</u>		<u>8,701</u>
Unappropriated retained earnings at end of the year	<u>¥ 8,984</u>		<u>¥ 8,713</u>		<u>¥ 270</u>

Japan Airlines Corporation

Comparative Proposal for Appropriation of Retained Earnings and Other Capital Surplus

	<i>(Millions of yen)</i>	
	2005	2004
Unappropriated retained earnings		
Appropriation of unappropriated retained earnings:		
Unappropriated retained earnings	¥ 8,984	¥ 8,713
Cash dividends	7,922	—
(¥4 per share in 2005)		
Unappropriated retained earnings to be carried forward	¥ 1,062	¥ 8,713
Other capital surplus		
Other capital surplus	¥63,455	¥81,908
Unappropriated other capital surplus to be carried forward	¥63,455	¥81,908

Japan Airlines Corporation

Notes to Non-Consolidated Financial Statements

March 31, 2005 and 2004

1. Summary of Significant Accounting Policies

a. Investments in securities

Investments in subsidiaries are stated at cost based on the moving average method.

b. Tangible fixed assets

The straight-line method based on their estimated useful lives.

c. Deferred charges

Start-up costs are capitalized and are being amortized over a period of 5 years. Bond issuance expenses are capitalized and are being amortized over a period of 3 years.

d. Accrued severance costs

To provide for employees' severance indemnities, accrued severance costs have been provided at an amount calculated based on the retirement benefit obligation.

e. Leases

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

f. 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 items if certain conditions are met.

g. Consumption taxes

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

h. Income taxes

The Company applied the Japanese consolidated corporate tax return system.

2. Other Footnote Information

- a. As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying non-consolidated financial statements do not necessarily agree with the sum of the individual amounts.
- b. Accumulated depreciation at March 31, 2005 and 2004 amounted to ¥16 million and ¥10 million, respectively.
- c. At March 31, 2005 and 2004, investments in subsidiaries which are pledged as collateral amounted to ¥15,342 million and nil, respectively.
- d. At March 31, 2005 and 2004, contingent liabilities for guarantees amounted to ¥668,678 million and ¥581,459 million, respectively.

3. Fair Value of Investments in Subsidiaries

Investments in subsidiaries are stated at cost. Net unrealized loss on investments in marketable securities of subsidiaries at March 31, 2005 is summarized as follows:

	March 31, 2005		
	Carrying value	Estimated fair value	Net unrealized loss
	<i>(Millions of yen)</i>		
Investments in subsidiaries	¥15,792	¥15,628	¥(164)

At March 31, 2004, Investments in subsidiaries had no determinable market prices and the related fair value information had been omitted.

4. 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:		
Accounts payable	¥ 75	¥ –
Accrued enterprise tax	–	36
Loss on revaluation of investments in subsidiaries	42	–
Amortization of deferred charge	–	20
Other	37	6
	154	63
Valuation allowance	(4)	(5)
Deferred tax assets, net	¥150	¥58

A reconciliation between the Japanese statutory tax rate and the Company's effective tax rate for the years ended March 31, 2005 and 2004 is as follows:

	Year ended March 31,	
	2005	2004
Japanese statutory tax rates	40.7%	43.9%
Non-taxable income, including dividends received	(26.6)	(39.8)
Disallowed expenses, including entertainment expenses	15.3	0.5
Other	(0.1)	0.4
Effective tax rates	29.3%	5.0%

5. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 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 non-consolidated balance sheets and the related statements of income if capital lease accounting had been applied to the capital leases currently accounted for as operating leases:

	March 31,	
	2005	2004
	Vehicles	
	<i>(Millions of yen)</i>	
Acquisition costs	¥14	¥ 7
Less accumulated depreciation	(6)	(1)
Net book value	¥ 7	¥ 5
	Year ended March 31,	
	2005	2004
	<i>(Millions of yen)</i>	
Depreciation expense	¥4	¥1
Interest expense	¥0	¥0

Lease expenses relating to capital leases accounted for as operating leases amounted to ¥4 million and ¥1 million for the years ended March 31, 2005 and 2004, respectively.

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	¥4	¥2
Over 1 year	3	3
	¥8	¥5