

Japan Airlines Corporation

Consolidated Interim Financial Information

*For the six months ended September 30, 2005 and 2004
and the year ended March 31, 2005*

1. Consolidated Financial Highlights

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

(1) Consolidated Operating Results for the Six Months Ended September 30, 2005 (FH 05) and September 30, 2004 (FH04) and the Year Ended March 31, 2005 (FY 04)

(Millions of yen except for per share information)

(i) Operating revenues	FH05	¥1,112,346	(3.4%)
	FH04	¥1,075,762	(13.9%)
	FY04	¥2,129,876	
(ii) Operating income	FH05	¥ 15,785	(-81.8%)
	FH04	¥ 86,899	(-)
	FY04	¥ 56,149	
(iii) Ordinary income	FH05	¥ 9,780	(-90.9%)
	FH04	¥ 107,873	(-)
	FY04	¥ 69,805	
(iv) Net (loss) income	FH05	¥ (12,042)	(-)
	FH04	¥ 82,962	(-)
	FY04	¥ 30,096	
(v) Net (loss) income per share	FH05	¥ (6.08)	
	FH04	¥ 42.14	
	FY04	¥ 15.24	
(vi) Diluted net income per share	FH05	¥ —	
	FH04	¥ 37.78	
	FY04	¥ 13.66	
(vii) Equity in earnings of affiliates	FH05	¥ 1,021	
	FH04	¥ 836	
	FY04	¥ 1,514	

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

September 30, 2005	1,979,820,270
September 30, 2004	1,968,685,606
March 31, 2005	1,972,336,072

(2) Consolidated Financial Position at September 30, 2005 (FH 05) and March 31, 2005 (FY 04) and September 30, 2004 (FH 04)

(Millions of yen except for per share information)

(i) Total assets	FH05	¥2,196,666
	FH04	¥2,223,190
	FY04	¥2,162,654
(ii) Total stockholders' equity	FH05	¥ 178,630
	FH04	¥ 244,050
	FY04	¥ 194,746
(iii) Stockholders' equity ratio	FH05	8.1%
	FH04	11.0%
	FY04	9.0%
(iv) Stockholders' equity per share	FH05	¥ 90.23
	FH04	¥ 123.89
	FY04	¥ 98.34

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

September 30, 2005	1,979,686,793
September 30, 2004	1,969,907,663
March 31, 2005	1,979,888,788

(3) Consolidated Cash Flows for the Six Months Ended September 30, 2005 (FH 05) and September 30, 2004 (FH 04) and the Year Ended March 31, 2005 (FY 04)

(Millions of yen)

(i) Net cash provided by operating activities	FH05	¥ 77,115
	FH04	¥ 108,797
	FY04	¥ 145,275
(ii) Net cash used in investing activities	FH05	¥ (61,513)
	FH04	¥ (20,837)
	FY04	¥ (21,456)
(iii) Net cash (used in) provided by financing Activities	FH05	¥ (81,841)
	FH04	¥ 24,496
	FY04	¥ (6,290)
(iv) Cash and cash equivalents at end of the period	FH05	¥ 195,576
	FH04	¥ 256,226
	FY04	¥ 260,933

(4) Consolidation Policy

See notes to accompanying consolidated interim financial statements.

(5) Changes in Accounting Policy

Not Applicable

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

(1) Operating revenues	¥2,195,000 million
(2) Ordinary loss	¥ (57,000) million
(3) Net loss	¥ (47,000) million
(4) Net loss per share	¥ (23.74)

For 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

As of September 30, 2005, the number of consolidated subsidiaries was 154, including the following principal subsidiaries:

JAPAN AIRLINES INTERNATIONAL CO., LTD.
JAPAN AIRLINES DOMESTIC 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.

As of September 30, 2005, the number of unconsolidated subsidiaries not accounted for by the equity method was 123.

As of September 30, 2005, the number of affiliates was 99 including 21 companies accounted for by the equity method.

Changes in the scope of consolidation are summarized as follows:

Consolidation:

(Decrease) 2 NIKKO INFLIGHT CATERING CO., LTD.
 JAPAN FUEL TRADING CO., LTD.

(2) - I**Japan Airlines Corporation****Consolidated Balance Sheets***At September 30, 2005 and March 31, 2005 and September 30, 2004*

	September 30, 2005	March 31, 2005	Change	September 30, 2004
	<i>(Millions of yen)</i>			
Assets				
I. Current assets:				
Cash and time deposits	¥ 197,819	¥ 252,573	¥(54,754)	¥ 257,746
Notes and accounts receivable – trade	241,397	222,934	18,463	225,600
Short-term investments in securities	5,569	666	4,902	573
Flight equipment spare parts and supplies, at cost	82,896	76,335	6,560	77,903
Deferred income taxes	9,325	9,618	(292)	3,359
Other current assets	167,665	123,951	43,713	92,760
Allowance for bad debts	(2,836)	(2,905)	68	(3,188)
Total current assets	701,838	683,174	18,663	654,756
II. Fixed assets:				
Tangible fixed assets:				
Buildings and structures	209,480	224,690	(15,209)	240,995
Machinery, equipment and vehicles	32,483	34,770	(2,286)	34,945
Flight equipment	822,014	814,760	7,254	833,261
Land	56,565	66,809	(10,244)	86,333
Construction in progress	28,620	27,217	1,403	43,171
Other tangible fixed assets	21,491	23,496	(2,005)	23,615
Total tangible fixed assets	1,170,656	1,191,744	(21,088)	1,262,323
Intangible fixed assets:				
Software	66,261	67,871	(1,609)	66,543
Other intangible fixed assets	1,835	1,983	(148)	2,111
Total intangible fixed assets	68,096	69,854	(1,757)	68,655
Investments:				
Investments in securities	83,293	80,640	2,652	77,102
Long-term loans receivable	15,966	16,602	(636)	17,854
Deferred income taxes	48,546	44,595	3,950	51,940
Other investments	111,119	78,933	32,186	93,718
Allowance for bad debts	(2,891)	(2,967)	76	(3,273)
Total investments	256,033	217,804	38,229	237,343
Total fixed assets	1,494,787	1,479,403	15,383	1,568,322
III. Deferred charges:				
Bond issuance expenses	41	76	(34)	111
Total deferred charges	41	76	(34)	111
Total assets	¥2,196,666	¥2,162,654	¥ 34,012	¥2,223,190

	September 30, 2005	March 31, 2005	change	September 30, 2004
	<i>(Millions of yen)</i>			
Liabilities				
I. Current liabilities:				
Accounts payable – trade	¥ 234,793	¥ 213,783	¥ 21,009	¥ 216,641
Short-term borrowings	12,144	11,611	532	10,584
Current portion of bonds	–	15,000	(15,000)	16,700
Current portion of long-term loans	115,209	110,636	4,573	120,636
Accrued income taxes	8,609	6,464	2,144	4,706
Deferred income taxes	72	154	(82)	94
Other current liabilities	254,741	211,488	43,252	205,417
Total current liabilities	625,570	569,140	56,430	574,781
II. Non-current liabilities:				
Bonds	310,000	310,000	–	310,000
Long-term loans	800,130	862,223	(62,093)	884,170
Accrued pension and severance costs	150,277	149,665	612	146,253
Deferred income taxes	713	645	68	182
Other non-current liabilities	104,247	50,458	53,789	39,573
Total non-current liabilities	1,365,369	1,372,993	(7,624)	1,380,180
Total liabilities	1,990,940	1,942,133	48,806	1,954,961
 Minority interests	 27,095	 25,774	 1,321	 24,178
 Stockholders' equity				
I. Common stock	100,000	100,000	–	100,000
II. Capital surplus	136,143	136,141	1	141,775
III. (Accumulated deficit) retained earnings	(54,986)	(34,978)	(20,007)	17,887
. Net unrealized gain on investments in securities, net of taxes	5,690	3,765	1,925	2,605
V. Translation adjustments	(7,378)	(9,406)	2,028	(8,888)
VI. Common stock in treasury, at cost	(838)	(775)	(63)	(9,329)
Total stockholders' equity	178,630	194,746	(16,115)	244,050
Total liabilities and stockholders' equity	¥2,196,666	¥2,162,654	¥ 34,012	¥2,223,190

(2) - II**Japan Airlines Corporation****Consolidated Statements of Operations**

*For the six months ended September 30, 2005 and 2004
and the year ended March 31, 2005*

	Six months ended September 30, 2005	Six months ended September 30, 2004	Change	Year ended March 31, 2005
	<i>(Millions of yen)</i>			
Operating revenues	¥1,112,346	¥1,075,762	¥ 36,584	¥2,129,876
Operating expenses:				
Cost of operating revenues	905,489	797,976	107,513	1,685,675
Selling, general and administrative expenses	191,071	190,885	186	388,051
Total operating expenses	1,096,561	988,862	107,699	2,073,727
Operating income	15,785	86,899	(71,114)	56,149
Non-operating income:				
Interest and dividend income	2,100	1,784	316	3,170
Equity in earnings of affiliates	1,021	836	184	1,514
Exchange gain, net	3,077	1,428	1,649	2,075
Other income	6,095	39,738	(33,643)	57,686
Total non-operating income	12,294	43,787	(31,492)	64,446
Non-operating expenses:				
Interest expense	11,293	12,843	(1,550)	24,875
Other expenses	7,005	9,969	(2,964)	25,914
Total non-operating expenses	18,299	22,813	(4,514)	50,790
Ordinary income	9,780	107,873	(98,092)	69,805
Extraordinary profit:				
Gain on sales of fixed assets	386	52	334	1,905
Subsidy received for purchases of aircraft for isolated island routes	—	—	—	1,716
Gain on sales of investments in securities	510	569	(58)	1,334
Prior year foreign exchange difference	1,458	—	1,458	—
Other extraordinary profit	323	188	134	1,615
Total extraordinary profit	2,679	810	1,868	6,571
Extraordinary loss:				
Loss on sales and disposal of fixed assets	2,169	8,374	(6,204)	13,840
Loss on cancellation of lease contracts	—	6,063	(6,063)	9,682
Impairment losses	13,209	—	13,209	—
Other extraordinary loss	2,904	2,697	206	8,188
Total extraordinary loss	18,283	17,135	1,148	31,710
(Loss) income before income taxes and minority interests	(5,823)	91,549	(97,372)	44,666
Income taxes – current	9,430	3,748	5,682	7,897
Income taxes – deferred	(4,826)	3,498	(8,324)	4,251
Minority interests	(1,615)	(1,339)	(275)	(2,420)
Net (loss) income	¥ (12,042)	¥ 82,962	¥ (95,005)	¥ 30,096

(2) - III

Japan Airlines Corporation

Consolidated Statements of Capital Surplus and
Accumulated Deficit/Retained Earnings

*For the six months ended September 30, 2005 and 2004
and the year ended March 31, 2005*

	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
		(Millions of yen)	
Capital surplus			
Balance at beginning of period	¥136,141	¥136,678	¥136,678
Increase:			
Stock issued under share exchange (<i>kabushiki-kohkan</i>)	—	5,069	5,069
Gain on sales of common stock in treasury	1	26	1,821
Decrease:			
Cancellation of common stock in treasury	—	—	7,428
Balance at end of period	<u>¥136,143</u>	<u>¥141,775</u>	<u>¥136,141</u>
(Accumulated deficit) retained earnings			
Balance at beginning of period	¥ (34,978)	¥ (65,031)	¥ (65,031)
Increase:			
Net income	—	82,962	30,096
Decrease:			
Net loss	12,042	—	—
Cash dividends	7,919	—	—
Bonuses to directors and statutory auditors	44	43	43
Balance at end of period	<u>¥ (54,986)</u>	<u>¥ 17,887</u>	<u>¥ (34,978)</u>

(2) - IV**Japan Airlines Corporation****Consolidated Statements of Cash Flows**

*For the six months ended September 30, 2005 and 2004
and the year ended March 31, 2005*

	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
	<i>(Millions of yen)</i>		
Operating activities			
(Loss) income before income taxes and minority interests	¥ (5,823)	¥ 91,549	¥ 44,666
Adjustments to reconcile (loss) income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	62,053	61,802	124,713
Gain and loss on sales of, and loss on revaluation of, short-term investments in securities and investments in securities, net	1,315	(374)	(171)
Gain and loss on sales of, and loss on disposal of, fixed assets and impairment losses, net	19,824	15,080	25,702
Net provision for accrued pension and severance costs	612	(17,056)	(13,645)
Interest and dividend income	(2,100)	(1,784)	(3,170)
Interest expense	11,293	12,843	24,875
Exchange gain, net	(454)	(368)	(200)
Equity in earnings of affiliates	(1,021)	(836)	(1,514)
Increase in notes and accounts receivable	(17,957)	(16,871)	(16,000)
Increase in flight equipment spare parts and supplies	(6,553)	(1,712)	(209)
Increase in accounts payable	20,631	8,753	7,545
Other	8,837	(26,686)	(15,743)
Subtotal	90,659	124,339	176,848
Interest and dividends received	2,283	1,944	3,648
Interest paid	(11,545)	(13,182)	(25,686)
Income taxes paid	(4,281)	(4,304)	(9,535)
Net cash provided by operating activities	77,115	108,797	145,275
Investing activities			
Purchases of time deposits	(884)	(1,147)	(1,367)
Proceeds from maturity of time deposits	353	109	281
Purchases of fixed assets	(82,590)	(60,570)	(121,960)
Proceeds from sales of fixed assets	24,291	36,077	94,927
Purchases of investments in securities	(6,366)	(1,012)	(4,531)
Proceeds from sales and maturity of investments in securities	703	793	2,363
Loans receivable made	(758)	(1,196)	(2,787)
Collection of loans receivable	2,229	2,029	6,273
Other	1,509	4,080	5,344
Net cash used in investing activities	(61,513)	(20,837)	(21,456)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
	<i>(Millions of yen)</i>		
Financing activities			
Increase (decrease) in short-term borrowings, net	¥ 381	¥ (989)	¥ 39
Proceeds from long-term loans	400	5,859	48,182
Repayment of long-term loans	(58,121)	(56,819)	(130,978)
Proceeds from issuance of bonds	—	99,975	99,975
Redemption of bonds	(15,000)	(22,000)	(23,700)
Dividends paid to stockholders	(7,818)	(7)	(12)
Dividends paid to minority interests	(421)	(315)	(315)
Other	(1,261)	(1,205)	519
Net cash (used in) provided by financing activities	(81,841)	24,496	(6,290)
Effect of exchange rate changes on cash and cash equivalents	904	638	272
Net (decrease) increase in cash and cash equivalents	(65,334)	113,094	117,801
Cash and cash equivalents at beginning of period	260,933	143,327	143,327
Decrease in cash and cash equivalents arising from exclusion from consolidation	(21)	(195)	(195)
Cash and cash equivalents at end of period	¥195,576	¥256,226	¥ 260,933
Reconciliation between cash and time deposits and cash and cash equivalents			
Cash and time deposits	¥197,819	¥257,746	¥ 252,573
Time deposits with original maturity of more than three months	(2,119)	(1,488)	(1,513)
Marketable securities with original maturity of three months or less	0	0	0
Short-term investments included in other current assets, with original maturity of three months or less	—	—	9,998
Current account overdraft included in short-term borrowings	(124)	(32)	(126)
Cash and cash equivalents at end of period	¥195,576	¥256,226	¥ 260,933

Japan Airlines Corporation
Notes to Consolidated Interim Financial Statements

September 30, 2005 and 2004 and March 31, 2005

1. Summary of Significant Accounting Policies

a. Basis of presentation

Japan Airlines Corporation (the “Company”) and consolidated domestic subsidiaries maintain their accounting records and prepare their interim financial statements in accordance with accounting principles generally accepted 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 interim 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 interim 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 interim financial statements include the accounts of the Company and all significant subsidiaries controlled directly or indirectly by the Company. All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions have been eliminated.

The balance sheet date of 26 of the consolidated subsidiaries is June 30, 2005, and for 1 consolidated subsidiary, it is August 31, 2005. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from July 1, 2005 through September 30, 2005 and the period from September 1, 2005 through September 30, 2005 have been adjusted, if necessary.

Investments in 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 fair value of 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 5 years.

1. Summary of Significant Accounting Policies (continued)

c. Cash equivalents

Cash equivalents are defined as highly liquid, short-term investments with an original maturity of 3 months or less.

d. Securities

Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of stockholders' equity, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

e. Derivatives

Derivatives positions are stated at fair value.

f. Inventories

Inventories 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	– The straight-line method or the declining-balance method based on their estimated useful lives
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Other tangible fixed assets:

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 estimated useful lives
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Intangible fixed assets	– The straight-line method based on their estimated useful lives
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h. Deferred charges

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

i. Accrued pension and severance costs

To provide for employees' severance indemnities, net periodic pension cost, which represents the amount recognized as the cost of a pension plan for a period, is accounted for based on the projected benefit obligation and the plan assets.

1. Summary of Significant Accounting Policies (continued)

i. Accrued pension and severance costs (continued)

The unrecognized obligation at transition is being amortized by the straight-line method principally over a period of 15 years. 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 April 1, 2005, certain domestic subsidiaries received approval from the Minister of Health, Labor and Welfare with respect to its application for exemption from the benefit obligation related to future employee services under the substitutional portion of the WFPF. At September 30, 2005, the estimated amount of pension assets to be transferred was ¥7,691 million. The potential effect to the profit and loss, estimated as if the transfer of pension assets were made on September 30, 2005, in accordance with paragraph 44-2 of the “Practical Guidelines on Retirement Benefits Accounting (Interim Report),” Report No. 13 of the Accounting System Committee of the Japanese Institute of Certified Public Accountants, was immaterial.

j. Allowance for bad debts

The allowance for bad debts on certain receivables is provided at the estimated unrecoverable amount. The allowance for bad debts on other receivables is provided based on the historical rate of losses on receivables.

k. Foreign currency accounts

Foreign currency receivables and payables are translated into yen at the applicable exchange rates in effect at the end of the period and any gain or loss on translation 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 into yen at the applicable exchange rates at the end of the period are presented in minority interests and as a separate component of stockholders' equity.

1. Leases

As lessee

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

1. Summary of Significant Accounting Policies (continued)

1. Leases (continued)

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.

m. 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 rate 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 the swap agreement as an adjustment to the interest expense of the underlying hedged items if certain conditions are met.

n. Consumption taxes

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

o. Income taxes

The Company and certain domestic subsidiaries have adopted the Japanese consolidated corporate tax return system.

p. Appropriation of retained earnings and disposition of accumulated deficit

Under the Commercial Code of Japan, the appropriation of 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. Changes in Accounting Policy

(Accounting standard for impairment of fixed assets)

Effective April 1, 2005, the Company and its domestic consolidated subsidiaries have adopted the accounting standard for impairment for fixed assets (“Opinion Concerning the Establishment of Accounting Standard for impairment of Fixed Assets” issued by the Business Accounting Council on August 9, 2002) and the “Implementation Guidance on the Accounting Standard for impairment of Fixed Assets” (Accounting Standard Implementation Guidance No. 6 issued on October 31, 2003). The effect of the adoption of the standard was to decrease ordinary income by ¥14 million and increase net loss before income taxes and minority interests by ¥13,223 million for the six months ended September 30, 2005.

Accumulated impairment losses have been directly deducted from the carrying amount of the respective assets in accordance with revised Regulations for Semiannual Consolidated Financial Statements.

3. Other Information

- a. Accumulated depreciation at September 30, 2005 and March 31, 2005 and September 30, 2004 amounted to ¥1,611,238 million, ¥1,612,847 million and ¥1,629,115 million, respectively.
- b. At September 30, 2005 and March 31, 2005 and September 30, 2004, contingent liabilities for guarantees amounted to ¥17,569 million, ¥20,096 million and ¥17,295 million, respectively. In addition, at September 30, 2005 and March 31, 2005 and September 30, 2004, contingent liabilities for commitments to guarantees, keep-well agreements and others amounted to ¥794 million, ¥921 million and ¥1,066 million, respectively.
- c. At September 30, 2005 and March 31, 2005 and September 30, 2004, assets pledged as collateral amounted to ¥846,365 million, ¥844,174 million and ¥856,563 million, respectively. Further, shares of certain consolidated subsidiaries were pledged as collateral at September 30, 2005 and March 31, 2005. In addition, at September 30, 2005 and March 31, 2005 and September 30, 2004, collateralized indebtedness amounted to ¥512,389 million, ¥544,779 million and ¥570,607 million, respectively.
- d. At September 30, 2005 and March 31, 2005 and September 30, 2004, shares of common stock in treasury numbered 2,696,457, 2,494,462 and 75,557,587, respectively.

4. Fair Value of Securities

The components of unrealized gain or loss on marketable securities classified as other securities at September 30, 2005 and March 31, 2005 and September 30, 2004 are summarized as follows:

September 30, 2005			
	Acquisition costs	Carrying value	Net unrealized gain
	<i>(Millions of yen)</i>		
Stocks	¥16,866	¥26,375	¥9,509
Bonds	27	29	1
Other	5,785	5,797	12
	<u>¥22,679</u>	<u>¥32,202</u>	<u>¥9,523</u>

March 31, 2005			
	Acquisition costs	Carrying value	Net unrealized gain
	<i>(Millions of yen)</i>		
Stocks	¥16,596	¥23,021	¥6,424
Bonds	69	72	2
Other	1,055	1,060	4
	<u>¥17,721</u>	<u>¥24,153</u>	<u>¥6,431</u>

September 30, 2004			
	Acquisition costs	Carrying value	Net unrealized gain (loss)
	<i>(Millions of yen)</i>		
Stocks	¥13,498	¥17,979	¥4,481
Bonds	169	173	4
Other	867	863	(3)
	<u>¥14,535</u>	<u>¥19,017</u>	<u>¥4,481</u>

Non-marketable securities classified as other securities at September 30, 2005 and March 31, 2005 and September 30, 2004 amounted to ¥27,369 million, ¥26,851 million and ¥26,843 million, respectively.

5. Leases

As lessee

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of September 30, 2005 and March 31, 2005 and September 30, 2004 and the related depreciation and interest expense for the six months ended September 30, 2005 and 2004 and the year ended March 31, 2005, which would have been reflected in the consolidated balance sheets and the related consolidated statements of operations if capital lease accounting had been applied to the capital leases currently accounted for as operating leases:

September 30, 2005			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥581,262	¥16,924	¥598,186
Less accumulated depreciation	177,153	8,197	185,351
Net book value	<u>¥404,108</u>	<u>¥ 8,726</u>	<u>¥412,835</u>
March 31, 2005			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥571,954	¥16,516	¥588,471
Less accumulated depreciation	192,296	7,277	199,574
Net book value	<u>¥379,657</u>	<u>¥ 9,239</u>	<u>¥388,896</u>
September 30, 2004			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥575,356	¥19,565	¥594,922
Less accumulated depreciation	210,160	9,185	219,345
Net book value	<u>¥365,196</u>	<u>¥10,380</u>	<u>¥375,577</u>

5. Leases (continued)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
	<i>(Millions of yen)</i>		
Depreciation expense	<u>¥26,930</u>	<u>¥25,607</u>	<u>¥53,438</u>
Interest expense	<u>¥ 2,731</u>	<u>¥ 2,673</u>	<u>¥ 5,550</u>

No impairment loss has been recognized on the leased property for the six months ended September 30, 2005.

Lease expenses relating to capital leases accounted for as operating leases amounted to ¥29,217 million and ¥28,677 million for the six months ended September 30, 2005 and 2004 and ¥59,541 million for the year ended March 31, 2005.

The present value of future rental expenses under capital leases accounted for as operating leases outstanding at September 30, 2005 and March 31, 2005 and September 30, 2004 is summarized as follows:

	September 30, 2005	March 31, 2005	September 30, 2004
	<i>(Millions of yen)</i>		
Within 1 year	¥ 51,781	¥ 51,004	¥ 50,506
Over 1 year	367,924	345,002	332,326
	<u>¥416,706</u>	<u>¥396,007</u>	<u>¥382,832</u>

Future rental expenses under operating leases outstanding at September 30, 2005 and March 31, 2005 and September 30, 2004 are summarized as follows:

	September 30, 2005	March 31, 2005	September 30, 2004
	<i>(Millions of yen)</i>		
Within 1 year	¥ 25,733	¥ 27,274	¥ 24,907
Over 1 year	187,021	164,947	135,595
	<u>¥212,755</u>	<u>¥192,222</u>	<u>¥160,502</u>

5. Leases (continued)

As lessor

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of September 30, 2005 and March 31, 2005 and September 30, 2004 and the related depreciation expense and interest revenue for the six months ended September 30, 2005 and 2004 and the year ended March 31, 2005, which are reflected in the consolidated balance sheets and the related consolidated statements of operations:

September 30, 2005			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥ –	¥1,839	¥1,839
Less accumulated depreciation	–	1,411	1,411
Net book value	¥ –	¥ 428	¥ 428
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	¥ –	¥ 519	¥ 519
September 30, 2004			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥347	¥2,168	¥2,516
Less accumulated depreciation	342	1,504	1,847
Net book value	¥ 5	¥ 663	¥ 669
Six months ended September 30, 2005			
	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
	<i>(Millions of yen)</i>		
Depreciation expense	¥150	¥222	¥409
Interest revenue	¥ 9	¥ 17	¥ 27

5. Leases (continued)

As lessor (continued)

Lease revenues relating to direct financing leases accounted for as operating leases amounted to ¥168 million and ¥257 million for the six months ended September 30, 2005 and 2004 and ¥467 million for the year ended March 31, 2005.

The present value of future rental revenues under direct financing leases accounted for as operating leases outstanding at September 30, 2005 and March 31, 2005 and September 30, 2004 is summarized as follows:

	September 30, 2005	March 31, 2005	September 30, 2004
	<i>(Millions of yen)</i>		
Within 1 year	¥209	¥289	¥346
Over 1 year	230	251	349
	<u>¥440</u>	<u>¥540</u>	<u>¥696</u>

Future rental revenues under operating leases outstanding at September 30, 2005 and March 31, 2005 and September 30, 2004 are summarized as follows:

	September 30, 2005	March 31, 2005	September 30, 2004
	<i>(Millions of yen)</i>		
Within 1 year	¥7	¥15	¥15
Over 1 year	—	—	7
	<u>¥7</u>	<u>¥15</u>	<u>¥23</u>

6. Impairment Losses of Fixed Assets

Certain consolidated subsidiaries recognized impairment losses on the following group of the assets in the consolidated statement of operations for the six months ended September 30, 2005:

Use in the Company's and
consolidated subsidiaries'
operation

	Class of assets	Location
Golf course	Land, buildings and structures and other	Tomakomai-shi, Hokkaido and other
Other operational assets	Land	Osaka-shi and other
Idle assets	Land and other	Ito-shi, Shizuoka Pref., and other

6. Impairment Losses of Fixed Assets (continued)

Assets are attributed or allocated to the cash generating units which generate largely independent cash flow for calculating impairment losses. The facilities which is expected to be low profitable due to the prolonged depression and the idle assets are written down to the recoverable amount and consequently the impairment losses of ¥13,209 million are recognized as the extraordinary loss in the consolidated statement of operations for the six months ended September 30, 2005. The breakdown of the losses are ¥7,170 million on the buildings and structures, ¥5,827 million on the land and ¥211 million on other assets.

The Company and its consolidated subsidiaries estimate the recoverable amount as the higher of fair value less costs to sell and value in use. Fair value is reasonably estimated amount by the Company and its consolidated subsidiaries from the Official Road Ratings or other appropriate indexes and value in use is calculated by discounting estimated future cash flows at 5.2%.

In addition to this, affiliate, which is accounted for by the equity method, recognizes the impairment losses in the manor similar to the Company and its consolidated subsidiaries. Consequently, the impairment losses of ¥14 million are recognized as equity in earnings of affiliates.

7. Derivatives

The contract amounts and the estimated fair value of the derivative instruments outstanding at September 30, 2005 were summarized as follows:

	September 30, 2005		
	Contract	Fair	Net unrealized
	amount	value	gain
	<i>(Millions of yen)</i>		
Commodities:			
Options	¥103,957	¥1,414	¥2,229
(Premium)	(815)		

The company applies the exemption from the disclosure of the information on the derivatives qualifying hedge accounting criteria.

8. Segment Information

a. Business segment information

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

8. Segment Information (continued)

a. Business segment information (continued)

Business segment information of the Company and its consolidated subsidiaries for the six months ended September 30, 2005 and 2004 and the year ended March 31, 2005 is summarized as follows:

Six months ended September 30, 2005								
	Air trans- portation	Airline- related business	Travel services	Card and lease operations	Other	Total	General corporate assets and intercompany eliminations	Consoli- dated
	(Millions of yen)							
Operating revenues:								
Sales to third parties	¥773,463	¥ 64,192	¥200,445	¥ 7,033	¥ 67,212	¥1,112,346	¥ –	¥1,112,346
Inter-group sales and transfers	110,998	94,858	18,114	23,054	34,797	281,824	(281,824)	–
Total	884,461	159,051	218,560	30,087	102,010	1,394,171	(281,824)	1,112,346
Operating expenses	877,755	156,479	216,883	27,776	99,029	1,377,924	(281,363)	1,096,561
Operating income	¥ 6,705	¥ 2,571	¥ 1,677	¥ 2,311	¥ 2,980	¥ 16,246	¥ (461)	¥ 15,785

Until the year ended March 31, 2005, businesses other than the air transportation business, 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.” Effective April 1, 2005, the card and lease operations has been presented as a new segment since its materiality has increased. Operating revenues (total of sales to third parties and inter-group sales and transfers), operating expenses and operating income of the card and lease operations included in “Other” of 2004 segment information were ¥29,805 million (total of ¥10,775 million and ¥19,029 million), ¥27,681 million and ¥2,133 million, respectively.

Six months ended September 30, 2004							
	Air transportation	Airline-related business	Travel services	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>						
Operating revenues:							
Sales to third parties	¥754,446	¥ 49,067	¥200,284	¥ 71,963	¥1,075,762	¥ –	¥1,075,762
Inter-group sales and transfers	109,733	93,818	21,503	55,464	280,520	(280,520)	–
Total	864,180	142,886	221,788	127,427	1,356,282	(280,520)	1,075,762
Operating expenses	787,074	139,384	220,688	121,818	1,268,965	(280,103)	988,862
Operating income	¥ 77,106	¥ 3,501	¥ 1,099	¥ 5,609	¥ 87,316	¥ (416)	¥ 86,899

Year ended March 31, 2005							
	Air transportation	Airline-related business	Travel services	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>						
Operating revenues:							
Sales to third parties	¥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	<u>1,659,709</u>	<u>288,443</u>	<u>424,813</u>	<u>257,994</u>	<u>2,630,961</u>	<u>(557,234)</u>	<u>2,073,727</u>
Operating income (loss)	<u>¥ 41,658</u>	<u>¥ 5,332</u>	<u>¥ (273)</u>	<u>¥ 10,095</u>	<u>¥ 56,812</u>	<u>¥ (663)</u>	<u>¥ 56,149</u>

8. Segment Information (continued)

b. Operating revenues from overseas operations

Operating revenues from overseas operations, which include international passenger and cargo services of three domestic subsidiaries, export sales of domestic subsidiaries, and sales of subsidiaries outside Japan, for the six months ended September 30, 2005 and 2004 and the year ended March 31, 2005 were as follows:

	Six months ended September 30, 2005			
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from overseas operations	¥221,206	¥187,962	¥109,692	¥ 518,861
Consolidated operating revenues				¥1,112,346
Consolidated operating revenues as a percentage of operating revenues from overseas operations	19.9%	16.9%	9.8%	46.6%
	Six months ended September 30, 2004			
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from overseas operations	¥218,381	¥181,305	¥112,825	¥ 512,512
Consolidated operating revenues				¥1,075,762
Consolidated operating revenues as a percentage of operating revenues from overseas operations	20.3%	16.8%	10.5%	47.6%
	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%

c. Geographic information

For the six months ended September 30, 2005 and 2004 and the year ended March 31, 2005, operating revenues from operations in Japan represented more than 90% of consolidated operating revenues. As a result, geographic information is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

9. Subsequent Events

- a. The boards of Japan Airlines International Co, Ltd. (“JALI,” wholly owned subsidiary of the Company) and JAL Sales Co, Ltd. (“JSA,” wholly owned subsidiary of the Company) resolved on October 5, 2005 their intention that JSA will merge into JALI on April 1, 2006.

On October 5, 2005 the boards of JALI and Japan Airlines Domestic Co, Ltd. (“JALD,” wholly owned subsidiary of the Company) resolved their intention that JALD will merge into JALI on October 1, 2006.

- b. On October 1, 2005, JALI newly introduced the pension scheme where the employees have option to change a part of existing lump sum payment to the defined contribution plan or early payment scheme. As a result, ¥6,810 million of extraordinary profit will be recorded for the year ended March 31, 2006.

Components of Revenues in the Air Transportation Segment

	Six months ended September 30, 2005		Six months ended September 30, 2004		Year ended March 31, 2005	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
International:						
Passenger operations	¥360,443	40.8	¥346,040	40.0	¥ 671,291	39.5
Cargo operations	85,480	9.7	83,540	9.7	171,399	10.1
Mail service operations	3,917	0.4	3,537	0.4	7,632	0.4
Luggage operations	1,138	0.1	1,239	0.2	2,487	0.1
Subtotal	450,979	51.0	434,358	50.3	852,810	50.1
Domestic:						
Passenger operations	340,493	38.5	344,912	39.9	674,732	39.7
Cargo operations	14,585	1.7	15,338	1.8	30,534	1.8
Mail-service operations	5,204	0.6	4,791	0.5	9,963	0.6
Luggage operations	140	0.0	108	0.0	234	0.0
Subtotal	360,424	40.8	365,151	42.2	715,464	42.1
Other revenues	26,864	3.0	22,327	2.6	46,473	2.7
Incidental business revenues	46,193	5.2	42,343	4.9	86,619	5.1
Total revenues	<u>¥884,461</u>	<u>100.0</u>	<u>¥864,180</u>	<u>100.0</u>	<u>¥1,701,367</u>	<u>100.0</u>