

# Japan Airlines Corporation

## Non-Consolidated Interim Financial Information

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

### ***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 for the Six Months Ended September 30, 2005 (FH05) and September 30, 2004 (FH04) and the Year Ended March 31, 2005 (FY04)**

(Millions of yen except for per share information)

(i) Operating revenues:	FH05	¥15,729	(88.2%)
	FH04	¥ 8,358	(-41.9%)
	FY04	¥16,197	
(ii) Operating income:	FH05	¥ 8,429	(-)
	FH04	¥ 441	(-95.2%)
	FY04	¥ 617	
(iii) Ordinary income:	FH05	¥ 8,391	(-)
	FH04	¥ 383	(-95.7%)
	FY04	¥ 489	
(iv) Net income:	FH05	¥ 8,165	(-)
	FH04	¥ 297	(-96.6%)
	FY04	¥ 270	
(v) Net income per share:	FH05	¥ 4.12	
	FH04	¥ 0.15	
	FY04	¥ 0.13	

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

September 30, 2005	1,980,472,427
September 30, 2004	2,032,174,118
March 31, 2005	2,018,105,840

#### **2. Changes in Accounting Policy**

Not Applicable

### 3. Dividends

(i) Annual dividends per share:	FH05	—
	FH04	—
	FY04	4.00
(ii) Semiannual dividends per share:	FH05	—
	FH04	—
	FY04	—

### 4. Non-Consolidated Financial Position at September 30, 2005 (FH05) and March 31, 2005 (FY04) and September 30, 2004 (FH04)

(i) Total assets:	FH05	¥ 992,753 million
	FH04	¥1,011,929 million
	FY04	¥1,016,808 million
(ii) Total stockholders' equity:	FH05	¥ 277,147 million
	FH04	¥ 295,551 million
	FY04	¥ 276,965 million
(iii) Stockholders' equity ratio:	FH05	27.9%
	FH04	29.2%
	FY04	27.2%
(iv) Stockholders' equity per share:	FH05	¥ 139.95
	FH04	¥ 144.60
	FY04	¥ 139.84

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

September 30, 2005	1,980,339,741
September 30, 2004	2,043,871,176
March 31, 2005	1,980,539,861

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

September 30, 2005	2,043,509
September 30, 2004	1,594,074
March 31, 2005	1,843,389

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

(1) Operating revenues	¥ 24,400 million
(2) Operating income	¥ 8,500 million
(3) Ordinary income	¥ 8,400 million
(4) Net income	¥ 8,200 million
(5) Annual dividends per share	¥ 0.00
(6) Net income per share	¥ 4.14

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

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## Non-Consolidated Balance Sheets

	September 30, 2005	March 31, 2005	September 30, 2004
	<i>(Millions of yen)</i>		
<b>Assets</b>			
I. Current assets:			
Cash and time deposits	¥ 15,064	¥ 14,614	¥ 88,253
Accounts receivable – trade	2,055	2,546	2,754
Current portion of long-term loans receivable from subsidiaries	47,523	44,235	45,293
Prepaid expenses	46	30	42
Accounts receivable – other	5,365	5,525	2,956
Deferred income taxes	16	12	22
Other current assets	34	16	34
Total current assets	70,106	66,981	139,356
II. Fixed assets:			
Tangible fixed assets:			
Furniture and fixtures	39	43	51
Total tangible fixed assets	39	43	51
Intangible fixed assets:			
Software	13	15	15
Other intangible fixed assets	0	0	0
Total intangible fixed assets	13	15	15
Investments:			
Investments in subsidiaries	361,038	362,076	310,387
Long-term loans receivable from subsidiaries	561,213	587,193	561,659
Deferred income taxes	82	137	19
Other investments	22	22	0
Total investments	922,355	949,430	872,067
Total fixed assets	922,409	949,488	872,135
III. Deferred charges:			
Start-up costs	195	261	326
Bond issuance expenses	41	76	111
Total deferred charges	237	337	437
Total assets	¥992,753	¥1,016,808	¥1,011,929

	September 30, 2005	March 31, 2005	September 30, 2004
	<i>(Millions of yen)</i>		
<b>Liabilities</b>			
I. Current liabilities:			
Accounts payable – trade	¥ 474	¥ 621	¥ 611
Short-term loans from a subsidiary	–	–	3,000
Current portion of long-term loans	47,523	44,235	45,293
Accounts payable – other	477	5,296	3,047
Accrued income taxes	3,467	26	61
Accrued expenses	2,205	2,267	2,687
Other current liabilities	85	8	13
Total current liabilities	54,234	52,457	54,715
II. Non-current liabilities:			
Bonds	130,000	130,000	130,000
Long-term loans	531,213	557,193	531,659
Accrued severance costs	12	6	3
Other non-current liabilities	145	185	–
Total non-current liabilities	661,370	687,385	661,662
Total liabilities	715,605	739,842	716,378
<b>Stockholders' equity</b>			
I. Common stock	100,000	100,000	100,000
II. Capital surplus:			
Additional paid-in capital	105,069	105,069	105,069
Other capital surplus:			
Transfer from additional paid-in capital	63,406	63,406	81,887
Gain on sales of common stock in treasury	50	48	47
Total other capital surplus	63,456	63,455	81,934
Total capital surplus	168,526	168,524	187,004
III. Retained earnings:			
Unappropriated retained earnings	9,227	8,984	9,011
IV. Common stock in treasury, at cost	(606)	(543)	(463)
Total stockholders' equity	277,147	276,965	295,551
Total liabilities and stockholders' equity	¥992,753	¥1,016,808	¥1,011,929

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## Non-Consolidated Statements of Income

	<b>Six months ended September 30, 2005</b>	<b>Six months ended September 30, 2004</b>	<b>Year ended March 31, 2005</b>
	<i>(Millions of yen)</i>		
Operating revenues	¥15,729	¥8,358	¥16,197
Operating expenses:			
Cost of operating revenues	4,515	4,713	9,238
Selling, general and administrative expenses	2,785	3,203	6,341
Total operating expenses	7,300	7,917	15,579
Operating income	8,429	441	617
Non-operating income:			
Interest income	0	9	17
Other income	55	20	22
Total non-operating income	56	29	39
Non-operating expenses:			
Interest expense	0	9	13
Amortization of start-up costs	65	65	130
Other expenses	28	12	23
Total non-operating expenses	93	87	167
Ordinary income	8,391	383	489
Extraordinary loss:			
Loss on sales and disposal of fixed assets	—	—	3
Loss on revaluation of investments in subsidiaries	—	—	103
Total extraordinary loss	—	—	106
Income before income taxes	8,391	383	382
Income taxes – current	175	68	203
Income taxes – deferred	51	17	(91)
Net income	8,165	297	270
Retained earnings brought forward	1,062	8,713	8,713
Retained earnings at end of period	¥ 9,227	¥9,011	¥ 8,984

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## Notes to Non-Consolidated Interim Financial Statements

*September 30, 2005 and September 30, 2004  
and March 31, 2005*

### **1. Summary of Significant Accounting Policies**

#### **a. Securities**

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

#### **b. Tangible and intangible fixed assets**

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

#### **c. Deferred charges**

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

#### **d. Accrued severance costs**

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 the 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 has adopted the Japanese consolidated corporate tax return system.

## 2. Changes in Accounting Policy

(Accounting standard for impairment of fixed assets)

Effective April 1, 2005, the Company has 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 nil.

## 3. 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 interim financial statements do not necessarily agree with the sum of the individual amounts.
- b. Accumulated depreciation at September 30, 2005 and March 31, 2005 and September 30, 2004 amounted to ¥20 million, ¥16 million and ¥14 million, respectively.
- c. At September 30, 2005 and March 31, 2005 and September 30, 2004, contingent liabilities for guarantees amounted to ¥699,265 million, ¥668,678 million and ¥664,895 million, respectively.
- d. At September 30, 2005 and March 31, 2005 and September 30, 2004, assets pledged as collateral amounted to ¥15,792 million, ¥15,342 million and nil, respectively. In addition, at September 30, 2005 and March 31, 2005 and September 30, 2004, collateralized indebtedness amounted to ¥305,267 million and ¥322,364 million and nil, respectively.

## 4. Fair Value of Investments in Subsidiaries

Investments in subsidiaries are stated at cost. Net unrealized loss on investments in marketable securities of subsidiaries at September 30 and March 31, 2005 is summarized as follows:

	September 30, 2005		
	Carrying value	Estimated fair value	Net unrealized loss
	<i>(Millions of yen)</i>		
Investments in subsidiaries	¥15,792	¥15,626	¥(166)

#### 4. Fair Value of Investments in Subsidiaries (continued)

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

At September 30, 2004, investments in subsidiaries had no determinable market prices and the related fair value information had been omitted.

#### 5. Leases

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 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:

	<b>Vehicles</b>		
	<b>September 30, 2005</b>	<b>March 31, 2005</b>	<b>September 30, 2004</b>
	<i>(Millions of yen)</i>		
Acquisition costs	¥14	¥14	¥14
Less accumulated depreciation	8	6	3
Net book value	¥ 5	¥ 7	¥10

  

	<b>Six month ended September 30, 2005</b>	<b>Six month ended September 30, 2004</b>	<b>Year ended March 31, 2005</b>
	<i>(Millions of yen)</i>		
Depreciation expense	¥2	¥2	¥4
Interest expense	¥0	¥0	¥0

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 ¥2 million and ¥2 million for the six months ended September 30, 2005 and 2004 and ¥4 for the year ended March 31, 2005, respectively.



## 5. Leases (continued)

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:

	<b>September 30, 2005</b>	<b>March 31, 2005</b>	<b>September 30, 2004</b>
		<i>(Millions of yen)</i>	
Within 1 year	¥4	¥4	¥ 4
Over 1 year	1	3	5
	<u>¥5</u>	<u>¥8</u>	<u>¥10</u>