

# Notes to Consolidated Financial Statements

All Nippon Airways Co., Ltd. and its consolidated subsidiaries  
March 31, 2000 and 1999

## 1. Basis of presenting consolidated financial statements

All Nippon Airways Co., Ltd. (the Company) and its domestic subsidiaries maintain their books of account in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and the Company's foreign subsidiaries in conformity with accounting principles and practices of the countries of their domicile.

In addition, the notes to the consolidated financial

statements include information which is not required under accounting principles and practices generally accepted in Japan but is presented herein as additional information.

The accompanying consolidated financial statements have been compiled from the consolidated financial statement filed with the Minister of Finance as required by the Securities and Exchange Law of Japan. In preparing the accompanying financial statements certain reclassifications have been made in the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

## 2. Summary of significant accounting policies

### (a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries (115 subsidiaries for 2000 and 76 subsidiaries for 1999). All significant intercompany accounts and transactions have been eliminated.

Investments in certain subsidiaries and significant affiliates (33 companies for 2000 and 46 companies for 1999) are accounted for by the equity method of accounting. The difference between the cost and the underlying net equity in the net assets at dates of acquisition of consolidated subsidiaries and companies accounted for by the equity method of accounting is amortized on a straight-line method over a period of five years.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method of accounting (80 companies for 2000 and 52 companies for 1999) are stated at cost. The companies' equity in undistributed earnings of these companies is not significant.

During the years 2000 and 1999, subsidiaries which were not consolidated in prior years were included in consolidation. Also, in connection with the changes in consolidation accounting standards from an equity to a control basis effective from fiscal 2000, the Company increased the number of subsidiaries subject to consolidation from 76 in 1999 to 115 in 2000. The effects of these changes on the consolidated financial position and results of operations have been credited or charged to retained earnings and the consolidated financial statements for prior years have not been restated.

### (b) Deferred tax accounting

From fiscal 2000, companies in Japan are required to apply deferred tax accounting, which had not been necessary in fiscal 1999, except in certain cases. The effect of adopting deferred tax accounting as of April 1,

1999 in the amount of ¥2,141 million (\$20,170 thousand) has been credited to retained earnings in accordance with accounting principles and practices generally accepted in Japan. Accordingly, no retroactive adjustments for the adoption of deferred tax accounting have been reflected in the financial statements as of and for the year ended March 31, 1999.

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating losses and tax credits carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

### (c) Foreign currency translation

- (i) Foreign currency short-term and long-term receivables and payables are translated at the historical rates, except for those receivables and payables covered by forward exchange contracts, which are translated at the contract rates.
- (ii) Foreign currency revenues and expenses are translated at the rates of exchange prevailing when such transactions are made.

### (d) Marketable securities and investment securities

Marketable securities, including equity securities and investment securities, are stated at cost (principally using the average method) adjusted for any substantial (more than 50%) decline in value which the companies consider non-temporary.

**(e) Allowance for doubtful receivables**

A general provision is made for doubtful receivables at a rate equivalent to the higher of that which is allowed in Japan as an expense for tax purposes and that which is demonstrated to be required by a review of receivables. Provisions are made against specific receivables as and when required.

**(f) Inventories**

Inventories are aircraft spare parts, supplies and stock in trade of consolidated subsidiaries.

These are stated at cost. Cost is determined by the average method for aircraft spare parts and the first-in, first-out method for miscellaneous supplies.

**(g) Property and equipment and normal depreciation**

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed based on estimated useful lives by the following methods:

Flight equipment:

Boeing 747-400s, other Boeing 747s,

Boeing 777s, Boeing 767s,

Boeing 737-500s, Airbus A320s,

Airbus A321s

and NAMC YS-11s . . . . . Straight-line method

Other flight equipment . . . . . Declining balance method

Buildings . . . . . Straight-line method

Other ground property

and equipment . . . . . Declining balance method

Depreciation of Boeing 767s, other Boeing 747s than Boeing 747-400s, Airbus A320s and Airbus A321s had been computed by the sum-of-years-digit method until March 31, 1999 and, effective April 1, 1999, the Company changed the depreciation method of these flight equipment to straight-line primarily due to the relative slowdown of technology development and extension of their economic useful lives. The effect of this change in the depreciation method was to decrease depreciation expense and loss before income taxes for the year ended March 31, 2000 by ¥7,334 million (\$69,090 thousand).

The Company employs the following life period principally based upon the Company's estimated durability of such aircraft.

International type equipment . . . . . 20 years

Domestic type equipment . . . . . 17 years

Effective April 1, 1999, the Company and a subsidiary revised the estimated useful lives of aircraft from 15 years for international type equipment and 13 years for domestic type equipment to 20 years and 17 years, respectively. The effect of this revision was to decrease depreciation expense and loss before income taxes for the year ended March 31, 2000 by ¥14,668 million (\$138,181 thousand).

Major additions and improvements are capitalized at

cost. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

**(h) Retirement benefits**

The retirement benefits plan of the Company and some of the subsidiaries cover substantially all employees other than directors. Under the terms of this plan, eligible employees are entitled, upon mandatory retirement or earlier voluntary severance, to lump-sum payments based on their compensation at the time of leaving and years of service with the Company and some of the subsidiaries.

The Company and certain significant domestic subsidiaries are adopting non-contributory funded pension plans to provide coverage for part of the lump-sum benefits under existing retirement regulations. The current cost and amortization of prior service costs of the pension plan are determined actuarially and charged to income. The prior service costs amounted to ¥14,825 million (\$139,660 thousand) at March 31, 1999 and are amortized over a period of approximately 20 years.

Accrued retirement benefits are stated at 40% of the net obligation which would be required to be paid under existing retirement regulations if all eligible employees voluntarily severed their employment at the end of each fiscal year, having made allowance for benefits expected to be covered from the above-mentioned pension plan.

Directors and statutory auditors are not covered by the programs described above. Benefits paid to such persons are charged to income as paid since amounts vary with circumstances, and it is therefore not practicable to compute the liability for future payments.

The Company is required to apply new pension accounting standards from the fiscal year ending March 31, 2001. See Management's Discussion and Analysis on page 27.

**(i) Revenue recognition**

Passenger revenues, cargo and other operating revenues are recorded when services are rendered.

**(j) Appropriation of retained earnings**

Under the Commercial Code of Japan, the appropriation of unappropriated retained earnings of the Company with respect to a financial period is made by resolution of the Company's shareholders at a general meeting to be held subsequent to the close of the financial period and the accounts for that period do not therefore reflect such appropriation. See Note 14.

**(k) Net income (loss) per share**

The computation of net income per share of common stock is based on the weighted average number of shares outstanding during each year.

Resulting with net loss in fiscal 1999 and 2000, net income per share assuming full dilution is not disclosed.

#### (l) Leases

Finance lease transactions other than ones that are expected to transfer ownership of the assets are accounted for as operating leases. See Note 8.

#### (m) Bond issuance costs and development costs

Bond issuance costs and development costs are principally capitalized and amortized over a period of three years and five years, respectively.

#### (n) Cash equivalents

For the purpose of statements of cash flows, cash and short-term, highly liquid investments with a maturity of three months or less are treated as cash equivalents.

#### (o) Reclassification

Certain accounts for 1999 have been reclassified in the accompanying financial statements to conform with the 2000 presentation.

### 3. Financial statement translation

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥106.15=US\$1, the approximate

exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2000. This translation should not be construed as a representation that the amounts shown could be converted into United States dollars at such rate.

### 4. Marketable securities

Market value information readily available at March 31, 2000 and 1999 on marketable and investment securities is summarized as follows:

	Marketable securities		Investment securities			
	Yen (Millions)		U.S. dollars (Thousands)		U.S. dollars (Thousands)	
	2000	1999	2000	2000	1999	2000
Market value .....	<b>¥5,520</b>	¥2,549	<b>\$52,001</b>	<b>¥17,155</b>	¥21,507	<b>\$161,610</b>
Carrying amount .....	<b>5,418</b>	2,591	<b>51,040</b>	<b>9,717</b>	15,189	<b>91,540</b>
Unrealized gain (loss) .....	<b>¥ 102</b>	¥ (41)	<b>\$ 961</b>	<b>¥ 7,438</b>	¥ 6,318	<b>\$ 70,070</b>

Funds in trust included in other current assets in the amount of ¥5,327 million (\$50,183 thousand) and ¥11,239 million at March 31, 2000 and 1999, respectively, represent short-term funds deposited with and managed by trust

banks. Each fund consists mainly of marketable equity securities and interest-bearing bonds and is stated at cost. The above table does not reflect information of such funds in trust.

### 5. Investments in and advances to unconsolidated subsidiaries and affiliates

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2000 and 1999 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2000	1999	2000
	Investments in capital stock .....	<b>¥19,670</b>	¥29,319
Advances .....	<b>1,511</b>	1,564	<b>14,234</b>
	<b>¥21,181</b>	¥30,883	<b>\$199,538</b>

### 6. Short-term loans and long-term debt

Short-term loans at March 31, 2000 and 1999 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2000	1999	2000
	Short-term bank loans .....	<b>¥102,586</b>	¥107,762
Current portion of long-term debt .....	<b>103,032</b>	69,343	<b>970,626</b>
Current portion of bond payable .....	<b>63,000</b>	20,000	<b>593,500</b>
	<b>¥268,618</b>	¥197,105	<b>\$2,530,551</b>

The interest rates on the above short-term loans were between 0.55% and 6.32% per annum in 2000 and between 0.68% and 6.60% per annum in 1999.

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2000	1999	2000
<b>Bonds and notes:</b>			
9.75% US\$ notes due 2000	¥ 13,000	¥ 13,000	\$ 122,468
6.35% notes due 2000	—	20,000	—
4.4% notes due 2000	20,000	20,000	188,413
3.075% notes due 2007	35,000	35,000	329,722
2.75% notes due 2009	20,000	20,000	188,413
3.2% notes due 2017	20,000	20,000	188,413
2.9% notes due 2008	20,000	20,000	188,413
1.37% notes due 2001	30,000	30,000	282,619
2.2% notes due 2004	20,000	—	188,413
3% notes due 2007	10,000	—	94,206
2.05% notes due 2006	15,000	—	141,309
1% notes due 2002	20,000	—	188,413
3% notes due 2011	10,000	—	94,206
2.08% notes due 2006	20,000	—	188,413
3% notes due 2010	10,000	—	94,206
1.8% yen convertible bonds due 2003	49,210	49,210	463,589
0.4% yen convertible bonds due 2005	92,493	92,493	871,342
0% yen convertible bonds due 2000	30,000	30,000	282,619
	<b>434,703</b>	<b>349,703</b>	<b>4,095,177</b>
<b>Loans, principally from banks:</b>			
Secured, bearing interest from 0.35% to 7.65% in 2000 and 0.63% to 7.65% in 1999, maturing in installments through 2019	339,756	341,009	3,200,716
Unsecured, bearing interest from 1.44% to 8.16% in 2000 and 1.29% to 7.8% in 1999, maturing in installments through 2022	235,295	205,652	2,216,627
	<b>575,051</b>	<b>546,661</b>	<b>5,417,343</b>
	<b>1,009,754</b>	<b>896,364</b>	<b>9,512,520</b>
Less current portion	166,032	89,343	1,564,126
	<b>¥ 843,722</b>	<b>¥807,021</b>	<b>\$7,948,394</b>

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the

obligation becomes due, or in the event of default and certain other specified events, to offset cash deposits against such obligations due to the bank.

Certain bonds and notes and foreign currency loans are guaranteed by domestic banks and foreign banks.

The convertible bonds at March 31, 2000 were convertible into the following numbers of shares of common stock at the following current conversion prices:

	Conversion price per share		Number of shares
1.8% yen convertible bonds due 2003	¥2,052.60	(\$19.33)	23,974,471
0.4% yen convertible bonds due 2005	¥1,148.00	(\$10.81)	80,568,815
0% yen convertible bonds due 2000	¥ 596.00	(\$5.61)	50,335,570

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2000:

	Yen (Millions)	U.S. dollars (Thousands)
Property and equipment, at net book value:		
Flight equipment .....	¥255,856	\$2,410,325
Ground property and equipment .....	225,744	2,126,650
	<u>¥481,600</u>	<u>\$4,536,975</u>

The aggregate annual maturities of long-term debt after March 31, 2000 are as follows:

	Yen (Millions)	U.S. dollars (Thousands)
2001 .....	¥ 166,032	\$1,564,126
2002 .....	100,028	942,327
2003 .....	152,045	1,432,360
2004 and thereafter .....	591,649	5,573,707
	<u>¥1,009,754</u>	<u>\$9,512,520</u>

The amounts in the above table have been calculated on the assumption that all outstanding convertible bonds at March 31, 2000 would not be converted prior to maturity.

## 7. Income taxes

The Company is subject to a number of taxes on income (corporation tax, inhabitants tax and enterprise tax) which in aggregate resulted in a normal corporate tax rate of approximately 42.0% in 2000 and 47.7% in 1999.

The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at March 31, 2000 are as follows:

	Yen (Millions)	U.S. dollars (Thousands)
Deferred tax assets:		
Unrealized gain on inventories and property and equipment .....	¥ 14,486	\$ 136,467
Tax loss carry-forward .....	11,430	107,678
Accrued employees' retirement benefits .....	6,425	60,528
Valuation loss on investments in securities .....	6,135	57,796
Accrued expenses .....	1,848	17,409
Other .....	9,070	85,445
Total gross deferred tax assets .....	49,394	465,323
Less valuation allowance .....	(18,025)	(169,807)
Net deferred tax assets .....	<u>31,369</u>	<u>295,516</u>
Deferred tax liabilities:		
Special depreciation reserve and special account reserve for reduction in land .....	(2,178)	(20,518)
Other .....	(256)	(2,411)
Total gross deferred tax liabilities .....	<u>(2,434)</u>	<u>(22,929)</u>
Net deferred tax assets .....	<u>¥ 28,935</u>	<u>\$ 272,587</u>

## 8. Leases

### (a) Finance leases

Finance lease transactions other than those that are expected to transfer ownership of the assets are accounted for as operating leases. Information on finance

leases which are not recorded as assets and liabilities is summarized as follows.

Estimated acquisition costs, estimated amount of accumulated depreciation and estimated net book value of the lease properties at March 31, 2000 and 1999 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2000	1999	2000
<b>Aircraft:</b>			
Estimated acquisition costs . . . . .	<b>¥236,121</b>	¥247,754	<b>\$2,224,410</b>
Estimated amount of accumulated depreciation . . . . .	<b>76,765</b>	58,229	<b>723,176</b>
Estimated net book value . . . . .	<b>159,356</b>	189,524	<b>1,501,234</b>
<b>Others:</b>			
Estimated acquisition costs . . . . .	<b>19,228</b>	7,200	<b>181,135</b>
Estimated amount of accumulated depreciation . . . . .	<b>8,431</b>	4,345	<b>79,426</b>
Estimated net book value . . . . .	<b>10,796</b>	2,854	<b>101,709</b>
<b>Total:</b>			
Estimated acquisition costs . . . . .	<b>255,349</b>	254,954	<b>2,405,545</b>
Estimated amount of accumulated depreciation . . . . .	<b>85,196</b>	62,575	<b>802,602</b>
Estimated net book value . . . . .	<b>170,152</b>	192,379	<b>1,602,943</b>

Outstanding finance leases obligations at March 31, 2000 and 1999 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2000	1999	2000
Current portion of finance leases obligations . . . . .	<b>¥ 23,665</b>	¥ 22,895	<b>\$ 222,939</b>
Long-term finance leases obligations . . . . .	<b>156,405</b>	177,856	<b>1,473,433</b>
	<b>¥180,071</b>	¥200,751	<b>\$1,696,372</b>

Estimated amount of depreciation, estimated finance charges and lease expenses for the years ended March 31, 2000 and 1999 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2000	1999	2000
Estimated amount of depreciation by the straight-line method over the lease period . . . . .	<b>¥24,769</b>	¥21,388	<b>\$233,339</b>
Estimated interest costs . . . . .	<b>6,094</b>	5,845	<b>57,409</b>

Annual lease expenses charged to income were ¥29,331 million (\$276,316 thousand) and ¥25,473 million in 2000 and 1999, respectively.

### (b) Operating leases

The rental payments required under the operating leases that have initial or remaining noncancelable lease term in excess of one year at March 31, 2000 and 1999 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2000	1999	2000
Current portion of operating leases obligations . . . . .	¥ 44,604	¥ 44,738	\$ 420,197
Long-term operating leases obligations . . . . .	193,001	237,596	1,818,191
	<b>¥237,606</b>	<b>¥282,334</b>	<b>\$2,238,388</b>

## 9. Shareholders' equity

### (a) Common stock and capital surplus

Under the Japanese Commercial Code, at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be credited to the common

stock account. Any remaining excess of proceeds over amounts credited to the common stock account is required to be credited to the capital surplus account.

### (b) Deficit

Deficit at March 31, 2000 and 1999 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2000	1999	2000
Legal reserve . . . . .	¥ 10,301	¥ 10,301	\$ 97,041
Special depreciation reserve . . . . .	2,583	7,542	24,333
General reserve . . . . .	1,600	1,600	15,073
Special account reserve for reduction in land . . . . .	785	1,356	7,395
Unappropriated . . . . .	(79,648)	(70,758)	(750,333)
	<b>¥(64,379)</b>	<b>¥(49,959)</b>	<b>\$ (606,491)</b>

Special depreciation reserve and special account reserve for reduction in land have been provided for purposes of tax deferral. These reserves must be recorded on the books of account for retained earnings (deficit) and are required to be reversed to taxable income in the future. Under the Special Taxation Measures Law, the Company is permitted to provide special depreciation on new aircraft, for two fiscal years, at the maximum rate of 9% of aggregate acquisition

costs. The special depreciation reserve thus provided is reversed evenly to taxable income over the subsequent seven years as appropriations of retained earnings (deficit). See Note 14.

Because of the implementation of deferred tax accounting during the year ended March 31, 2000, the special depreciation reserve and the special account reserve for reduction in land at March 31, 2000 are stated net of related deferred taxes. See Note 2 (b).

### (c) Legal reserve

Under the Japanese Commercial code, the Company is required to appropriate as legal reserve an amount equal to at least 10% of appropriations paid by cash until the reserve equals 25% of the stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be capitalized by resolution of the Board of

Directors. The legal reserve in the accompanying consolidated financial statements includes only that of the Company. The Company's equity in the legal reserves of its consolidated subsidiaries is included in consolidated retained earnings.

## 10. Commitments and contingent liabilities

At March 31, 2000, commitments outstanding for the acquisition or construction of property and equipment amounted to approximately ¥202,536 million (\$1,908,016 thousand).

The Company and consolidated subsidiaries were contingently liable as guarantor of loans, principally to affiliates, amounting to ¥11,979 million (\$112,849 thousand) at March 31, 2000.

The Company executed contracts with certain financial institutions that require the Company to deposit amounts equivalent to the face value of bonds to be matured and

related interest to be paid until maturity and the financial institutions to subsequently pay the financial obligations on behalf of the Company. This type of financial arrangement allows the Company to remove such financial obligations from the balance sheet and to report them as contingent liabilities, although the Company is still legally liable to bondholders for such obligations. At March 31, 2000, the Company was contingently liable under such arrangements in the amount of ¥50,000 million (\$471,031 thousand).

## 11. Derivatives

The Company and its subsidiaries use derivatives with off-balance-sheet risk, such as forward exchange contracts, interest rate swaps and commodity options and swaps, to limit their exposure to fluctuations in foreign exchange rates, interest rates and commodity prices. The Company and its subsidiaries do not use derivatives for

trading purposes. The Company is exposed to credit-related losses in the event of nonperformance by the counter-parties to those derivatives, but does not expect any counter-parties to fail to meet their obligations given their high credit ratings.

At March 31, 2000 and 1999, the market value information on derivatives is summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2000	1999*	2000
Forward foreign exchange contracts, principally U.S. dollars:			
Contract amount:			
To buy foreign currencies . . . . .	¥54,578	¥67,460	\$514,159
To sell foreign currencies . . . . .	152	—	1,431
	54,733	67,460	515,619
Market value, net . . . . .	51,660	68,105	486,669
Unrealized gain (loss) . . . . .	(3,033)	645	(28,572)
Interest rate swaps:			
Notional amount:			
Receive-fixed interest rate swaps . . . . .	20,000	—	188,412
Pay-fixed interest rate swaps . . . . .	18,326	—	172,642
	38,326	—	361,055
Market value, net . . . . .	18	—	169
Unrealized gain, net . . . . .	18	—	169
Commodity options and swaps, principally fuel swaps:			
Notional amount . . . . .	5,785	2,781	54,498
Market value including option premium, net . . . . .	237	65	2,232
Unrealized gain, net . . . . .	197	65	1,855

The above information on forward exchange contracts excludes those applied to payables and receivables denominated in foreign currencies in the balance sheets.

\* Amounts represent those on a nonconsolidated basis, as the Company was not required to disclose the above information on a consolidated basis.

## 12. Segment information

The Company and consolidated subsidiaries conduct operations in air transportation, travel services, hotel operations and other businesses. The respective businesses other than the air transportation, travel services and hotel operations are insignificant to the consolidated results of operations of the Company and its

consolidated subsidiaries and, accordingly, are included in "Other businesses" in the following industry segment information.

Other segment information of the Company and its subsidiaries such as geographical breakdown of sales and assets is not disclosed because of its insignificance.

The segment information for the years ended March 31, 2000, and 1999 is as follows:

Year ended March 31, 2000	Yen (Millions)						
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Intercompany eliminations	Consolidated
Operating revenues . . . . .	¥920,447	¥124,408	¥65,688	¥ 99,104	¥1,209,647	¥ -	¥1,209,647
Intra-group sales and transfers . . . . .	60,056	11,469	11,685	77,117	160,327	(160,327)	-
Total . . . . .	980,503	135,877	77,373	176,221	1,369,974	(160,327)	1,209,647
Operating expenses . . . . .	954,811	132,551	73,535	176,439	1,337,336	(159,248)	1,178,088
Operating income (loss) . . . . .	¥ 25,692	¥ 3,326	¥ 3,838	¥ (218)	¥ 32,638	¥ (1,079)	¥ 31,559
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Intercompany eliminations	Consolidated
Identifiable assets . . . . .	¥1,141,468	¥21,729	¥214,557	¥210,685	¥1,588,439	¥(53,822)	¥1,534,617
Depreciation and amortization . . . . .	50,077	183	4,622	3,559	58,441	-	58,441
Capital expenditures . . . . .	96,413	423	18,186	5,295	120,317	(9,501)	110,816

Year ended March 31, 2000	U.S. dollars (Thousands)						
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Intercompany eliminations	Consolidated
Operating revenues . . . . .	\$8,671,192	\$1,172,002	\$618,822	\$ 933,622	\$11,395,638	\$ -	\$11,395,638
Intra-group sales and transfers . . . . .	565,765	108,045	110,080	726,490	1,510,380	(1,510,380)	-
Total . . . . .	9,236,957	1,280,047	728,902	1,660,112	12,906,018	(1,510,380)	11,395,638
Operating expenses . . . . .	8,994,922	1,248,714	692,746	1,662,167	12,598,549	(1,500,217)	11,098,332
Operating income (loss) . . . . .	\$ 242,035	\$ 31,333	\$ 36,156	\$ (2,055)	\$ 307,469	\$ (10,163)	\$ 297,306
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Intercompany eliminations	Consolidated
Identifiable assets . . . . .	\$10,753,349	\$204,701	\$2,021,262	\$1,984,786	\$14,964,098	\$(507,037)	\$14,457,061
Depreciation and amortization . . . . .	471,757	1,724	43,542	33,528	550,551	-	550,551
Capital expenditures . . . . .	908,271	3,984	171,323	49,882	1,133,460	(89,505)	1,043,955

Year ended March 31, 1999	Yen (Millions)					Intercompany eliminations	Consolidated
	Air transportation	Travel services	Hotel operations	Other businesses	Total		
Operating revenues . . . . .	¥923,391	¥60,179	¥61,910	¥25,293	¥1,070,773	¥ –	¥1,070,773
Intra-group sales and transfers . . . . .	42,591	11,475	6,600	19,347	80,013	(80,013)	–
Total . . . . .	965,982	71,654	68,510	44,640	1,150,786	(80,013)	1,070,773
Operating expenses . . . . .	976,799	71,883	65,535	41,503	1,155,720	(79,786)	1,075,934
Operating income (loss) . . . . .	¥ (10,817)	¥ (229)	¥ 2,975	¥ 3,137	¥ (4,934)	¥ (227)	¥ (5,161)
Identifiable assets . . . . .	¥1,045,268	¥17,735	¥196,859	¥103,006	¥1,362,868	¥32,321	¥1,395,189
Depreciation and amortization . . . . .	63,094	49	4,672	1,172	68,987	–	68,987
Capital expenditures . . . . .	57,197	87	6,604	14,127	78,015	(5,087)	72,928

### 13. Supplementary income information

	Yen (Millions)		U.S. dollars (Thousands)
	2000	1999	2000
Provision for retirement and severance benefits and pension expense . . . . .	¥22,112	¥17,180	\$208,308
Foreign exchange loss . . . . .	(9,254)	(5,817)	(87,179)

### 14. Subsequent events

At the shareholders' meeting held on June 29, 2000, the following appropriations from unappropriated retained earnings of the Company were approved by the shareholders:

	Yen (Millions)	U.S. dollars (Thousands)
Transfer from special depreciation reserve, net of deferred taxes . . . . .	¥1,282	\$12,077
Transfer to special account reserve for reduction in fixed assets, net of deferred taxes . . . . .	905	8,525

On May 9, 2000, the Company issued 0.75% convertible bonds due 2015 in the amount of ¥40,000 million at 101% of par. The bonds are convertible at ¥302 (\$2.84)

per share, aggregating 132,450 thousand shares of common stock, from June 5, 2000 to March 24, 2015.

### 15. Differences between Japanese accounting principles and International Accounting Standards

The consolidated financial statements of the Company are principally prepared in conformity with accounting principles and practices generally accepted in Japan, which differ from International Accounting Standards

mainly in the following respects:

- Finance leases . . . . . See note 8.
- Market-to-market . . . . . See notes 4 and 11.
- Retirement and pension benefits . . . See note 2 (h).