

Non-Consolidated Balance Sheets

Japan Airlines Company, Ltd.

As of March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Assets			
Current assets:			
Cash and time deposits	¥ 64,565	¥ 19,082	\$ 485,451
Short-term investments in securities	13,818	39,627	103,894
Accounts receivable:			
Trade	117,891	107,813	886,398
Subsidiaries and affiliates	59,839	57,233	449,917
Allowance for doubtful accounts	(664)	(695)	(4,992)
Flight equipment spare parts, at cost	55,792	55,308	419,488
Deferred income taxes (Note 3)	10,372	10,448	77,984
Prepaid expenses and other	63,548	62,437	477,804
Total current assets	385,164	351,255	2,895,969
Investments and advances:			
Subsidiaries and affiliates (Note 7)	127,667	131,228	959,902
Other	69,824	75,894	524,992
Total investments and advances	197,492	207,122	1,484,902
Property and equipment (Note 6):			
Flight equipment	1,343,508	1,331,943	10,101,563
Ground property and equipment	421,640	444,975	3,170,225
	1,765,149	1,776,919	13,271,796
Accumulated depreciation	(995,288)	(963,333)	(7,483,368)
	769,860	813,585	5,788,421
Advances on flight equipment purchases and other	34,755	20,663	261,315
Property and equipment, net	804,616	834,249	6,049,744
Long-term loans (Note 6)	48,737	25,230	366,443
Deferred income taxes (Note 3)	12,470	10,972	93,759
Other assets	31,620	26,038	237,744
	¥1,480,101	¥1,454,868	\$11,128,578

The accompanying notes are an integral part of these statements.

Thousands of
U.S. dollars
(Note 2)

	Millions of yen		
	2002	2001	2002
Liabilities and stockholders' equity			
Current liabilities:			
Current portion of long-term debt	¥ 104,105	¥ 107,798	\$ 782,744
Accounts payable:			
Trade	105,406	105,563	792,526
Construction	11,911	10,773	89,556
Subsidiaries and affiliates	47,302	51,442	355,654
Accrued expenses	37,329	37,860	280,669
Accrued income taxes (Note 3)	40	120	300
Other	88,567	86,772	665,917
Total current liabilities	394,664	400,330	2,967,398
Long-term debt	748,928	622,591	5,631,037
Accrued pension and severance costs	79,942	82,380	601,067
Reserve for loss on investments in subsidiaries and affiliates	10,595	4,384	79,661
Other noncurrent liabilities	15,284	70,329	114,917
Commitments and contingent liabilities (Notes 5 and 6)			
Stockholders' equity (Note 4):			
Common stock:			
Authorized: 6,000,000,000 shares			
Issued: 1,783,473,439 shares in 2002;			
1,783,473,439 shares in 2001	188,550	188,550	1,417,669
Additional paid-in capital	32,516	32,516	244,481
Legal reserve	1,782	1,068	13,398
Retained earnings	7,052	49,774	53,022
Net unrealized gain on other securities, net of taxes (Note 7)	861	2,942	6,473
Common stock in treasury, at cost:			
232,883 shares in 2002	(77)	—	(578)
Total stockholders' equity	230,685	274,852	1,734,473
	¥1,480,101	¥1,454,868	\$11,128,578

Non-Consolidated Statements of Operations

Japan Airlines Company, Ltd.

Years ended March 31,	Millions of yen			Thousands of U.S. dollars (Note 2)
	2002	2001	2000	2002
Operating revenues:				
Passenger:				
Domestic	¥ 280,977	¥ 289,907	¥ 275,826	\$2,112,609
International	576,385	639,152	580,057	4,333,721
Cargo:				
Domestic	23,840	26,268	27,068	179,248
International	133,656	146,853	143,171	1,004,932
Incidental and other revenues	154,639	155,057	141,557	1,162,699
	<u>1,169,499</u>	<u>1,257,239</u>	<u>1,167,681</u>	<u>8,793,225</u>
Operating expenses (Note 5):				
Flight operations	361,369	365,872	322,591	2,717,060
Maintenance	110,501	99,877	95,989	830,834
Passenger services	131,065	135,073	137,859	985,451
Aircraft and traffic servicing	222,046	218,627	222,143	1,669,518
Sales and advertising	180,778	199,452	184,036	1,359,233
General and administrative	37,152	42,034	38,511	279,338
Depreciation and amortization	64,671	63,910	63,721	486,248
Cost of incidental and other expenses	78,275	76,452	74,072	588,533
	<u>1,185,859</u>	<u>1,201,301</u>	<u>1,138,926</u>	<u>8,916,233</u>
Operating (loss) income	<u>(16,360)</u>	<u>55,938</u>	<u>28,754</u>	<u>(123,007)</u>
Non-operating income (expenses):				
Interest and dividend income	3,453	4,124	4,481	25,962
Interest expense	(27,109)	(27,997)	(30,352)	(203,827)
Amortization of capitalized bond issuance expenses	(39)	(138)	(422)	(293)
Exchange gain (loss), net	2,111	2,978	(4,701)	15,872
Flight equipment purchase incentives	—	—	3,306	—
Gain on sales of short-term investments in securities	—	3	4,903	—
Gain on sales of flight equipment	1,138	403	6,370	8,556
Gain on sales of ground property and equipment	5,904	538	1,938	44,390
Gain on sales of investments in securities	11,412	—	23,400	85,804
Gain on sales of investments in subsidiaries	1,302	—	—	9,789
Loss on revaluation of short-term investments in securities	—	—	324	—
Loss on disposal of flight equipment	(7,762)	(8,145)	—	(58,360)
Loss on disposal of ground property and equipment	(2,277)	(1,897)	(1,604)	(17,120)
Loss on operations of a subsidiary	—	(2,300)	—	—
Loss on revaluation of investments in securities	(2,211)	(8,028)	(1,590)	(16,624)
Loss on revaluation of investments in subsidiaries and affiliates	—	(1,765)	(16,830)	—
Loss on revaluation of other investments	—	(1,465)	—	—
Provision for loss on investments in subsidiaries and affiliates	(6,267)	(1,900)	(7,511)	(47,120)
Special termination benefits	(920)	(669)	(6,052)	(6,917)
Other, net	3,035	1,733	(3,533)	22,819
	<u>(18,231)</u>	<u>(44,525)</u>	<u>(27,873)</u>	<u>(137,075)</u>
(Loss) income before income taxes	<u>(34,592)</u>	<u>11,412</u>	<u>881</u>	<u>(260,090)</u>
Income taxes (Note 3):				
Current	282	305	175	2,120
Deferred	—	(17,673)	6,362	—
	<u>282</u>	<u>(17,367)</u>	<u>6,537</u>	<u>2,120</u>
Net (loss) income	<u>¥ (34,874)</u>	<u>¥ 28,780</u>	<u>¥ (5,655)</u>	<u>\$ (262,210)</u>

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Stockholders' Equity (Note 4)

Japan Airlines Company, Ltd.

Millions of yen

	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Net unrealized gain on other securities, net of taxes (Note 7)	Common stock in treasury	Total
Balance at March 31, 1999	1,778,943,439	¥188,323	¥31,808	¥ —	¥ 26,282	¥ —	¥ —	¥246,415
Cumulative effect of adoption of tax-effect accounting					12,109			12,109
Net loss for the year ended March 31, 2000					(5,655)			(5,655)
Legal reserve				534	(534)			—
Cash dividends (¥3 per share)					(5,336)			(5,336)
Balance at March 31, 2000	1,778,943,439	188,323	31,808	534	26,865	—	—	247,531
Net income for the year ended March 31, 2001					28,780			28,780
Legal reserve				534	(534)			—
Cash dividends (¥3 per share)					(5,336)			(5,336)
Issuance of common stock to stockholders of a subsidiary	4,530,000	226	708					934
Other						2,942	—	2,942
Balance at March 31, 2001	1,783,473,439	188,550	32,516	1,068	49,774	2,942	—	274,852
Net loss for the year ended March 31, 2002					(34,874)			(34,874)
Legal reserve				714	(714)			—
Cash dividends (¥4 per share)					(7,133)			(7,133)
Other						(2,080)	(77)	(2,158)
Balance at March 31, 2002	1,783,473,439	¥188,550	¥32,516	¥1,782	¥ 7,052	¥ 861	¥(77)	¥230,685

Thousands of U.S. dollars (Note 2)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Net unrealized gain on other securities, net of taxes (Note 7)	Common stock in treasury	Total
Balance at March 31, 2001	\$1,417,669	\$244,481	\$ 8,030	\$ 374,240	\$ 22,120	\$ —	\$2,066,556
Net loss for the year ended March 31, 2002				(262,210)			(262,210)
Legal reserve			5,368	(5,368)			—
Cash dividends (\$0.03 per share)				(53,631)			(53,631)
Other					(15,639)	(578)	(16,225)
Balance at March 31, 2002	\$1,417,669	\$244,481	\$13,398	\$ 53,022	\$ 6,473	\$(578)	\$1,734,473

The accompanying notes are an integral part of these statements.

1. Summary of Significant Accounting Policies

a. Basis of presentation

The accompanying non-consolidated financial statements are prepared on the basis of the same accounting policies as those discussed in Note 1 to the consolidated financial statements except that investments in subsidiaries and affiliates are stated at cost.

The Company maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted and applied in Japan. The accompanying non-consolidated financial statements have been compiled from the non-consolidated financial statements filed with the financial services agency as required by the Securities and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside Japan. Accordingly, the accompanying non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain amounts previously reported have been reclassified to conform to the current year's classification except for the adoption of new accounting standards.

b. New accounting standards

Accounting for financial instruments effective the year ended March 31, 2001

Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments. Under this standard, the financial-component approach has been applied to the transfers and servicing of financial assets and to the extinguishment of liabilities incurred as of or subsequent to April 1, 2000. In addition, securities except for investments in subsidiaries and affiliates are classified as trading securities, held-to-maturity securities or other securities and stated based on these three categories. Derivative positions are stated at fair value, and gain or loss on derivatives designated as hedging instruments is permitted to be deferred until loss or gain on the underlying hedged item is recognized.

The effect of the adoption of this standard was to decrease income before income taxes by ¥10,640 million for the year ended March 31, 2001.

Accounting for pension and severance costs effective the year ended March 31, 2001

Effective April 1, 2000, the Company adopted a new accounting standard for pension and severance costs, under which net periodic pension and severance costs are computed based on the projected benefit obligation and the pension plan assets.

The effect of the adoption of this standard was to decrease operating income by ¥2,008 million and income before income taxes by ¥829 million for the year ended March 31, 2001.

Accounting for the translation of foreign currency accounts effective the year ended March 31, 2001

Effective April 1, 2000, the Company adopted a new accounting standard for the translation of foreign currency accounts, under which all foreign currency receivables and payables are translated into yen at the applicable year-end exchange rates and translation adjustments are included in current earnings.

The effect of the adoption of this standard was to increase income before income taxes by ¥49 million for the year ended March 31, 2001.

2. U.S. Dollar Amounts

The same method of translating yen amounts into U.S. dollar amounts as that described in Note 2 to the consolidated financial statements has been followed.

3. Income Taxes

The significant components of deferred tax assets and liabilities and the related valuation allowance at March 31, 2002 and 2001 were as follows:

March 31,	Millions of yen		Thousands of
	2002	2001	U.S. dollars
			2002
Deferred tax assets:			
Revaluation loss on investments in subsidiaries and affiliates	¥13,626	¥17,809	\$102,451
Accrued pension and severance costs	15,042	12,217	113,097
Reserve for loss on investments in subsidiaries and affiliates	4,472	—	33,624
Accounts payable - trade	2,628	3,740	19,759
Revaluation loss on flight equipment spare parts	1,791	1,836	13,466
Tax loss carryforwards	18,415	4,958	138,458
Other	2,778	4,997	20,887
Deferred tax liabilities:			
Reserve for special depreciation	(3,301)	(4,051)	(24,819)
Net unrealized gain on investments in securities	(578)	(2,046)	(4,345)
	54,872	39,463	412,571
Valuation allowance	(32,030)	(18,043)	(240,827)
Net deferred tax assets	¥22,842	¥21,420	\$171,744

A reconciliation between the Japanese statutory tax rate and the Company's effective tax rates for the year ended March 31, 2001 was as follows:

Year ended March 31, 2001	
Japanese statutory tax rate	40.2%
Disallowed expenses, including entertainment expenses	13.8
Non-taxable income, including dividends received	(4.6)
Inhabitants' per capita taxes	2.8
Changes in valuation allowance	(204.4)
The Company's effective tax rate	(152.2)%

The Company is not required to present a reconciliation between the Japanese statutory tax rate and the Company's effective tax rate since the Company posted a loss before income taxes for the year ended March 31, 2002.

4. Shareholders' Equity

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan ("Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Before the date on which Amendment became effective, the Company's shares had a par value of ¥50 per share.

The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The legal reserve may be used to reduce or eliminate a deficit or may be transferred to stated capital through suitable stockholders' or directors' action but is not available for the payment of dividends. The Code also provides that, to the extent that the sum of additional paid-in capital and the legal reserve exceed 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

The Amendment further provides that stock in treasury which was included in "Short-term investments in securities" in the previous year will be presented as a separate component of stockholder's equity effective the year ended March 31, 2002. At March 31, 2001, the amount of stock in treasury included in "Short-term investment in securities" was ¥7 million (14,395 shares).

5. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2002 and 2001, and the related depreciation expense and interest expense for the years ended March 31, 2002 and 2001, respectively, which would have been reflected in the non-consolidated balance sheets and the related non-consolidated statements of operations if capital lease accounting had been applied to the capital leases currently accounted for as operating leases:

March 31, 2002	Millions of yen		
	Flight equipment	Ground property and equipment	Total
Acquisition costs	¥428,563	¥18,627	¥447,190
Less accumulated depreciation	251,140	15,851	266,991
Net book value	¥177,423	¥ 2,775	¥180,198

March 31, 2002	Thousands of U.S. dollars		
	Acquisition costs	\$3,222,278	\$140,052
Less accumulated depreciation	1,888,270	119,180	2,007,451
Net book value	\$1,334,007	\$ 20,864	\$1,354,872

March 31, 2001	Millions of yen		
	Acquisition costs	¥493,906	¥22,723
Less accumulated depreciation	262,944	17,144	280,089
Net book value	¥230,962	¥ 5,578	¥236,540

Year ended March 31,	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Depreciation expense	¥43,472	¥47,608	¥45,987	\$326,857
Interest expense	¥ 6,743	¥10,676	¥12,206	\$ 50,699

Lease expenses relating to capital leases accounted for as operating leases amounted to ¥53,760 million (\$404,210 thousand), ¥56,134 million and ¥53,612 million for the years ended March 31, 2002, 2001 and 2000, respectively.

The present value of future rental expenses under capital leases accounted for as operating leases outstanding at March 31, 2002 and 2001 was as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Within 1 year	¥ 41,617	¥ 48,084	\$ 312,909
Over 1 year	154,486	234,153	1,161,548
	¥196,103	¥282,237	\$1,474,458

Future rental expenses under operating leases outstanding at March 31, 2002 and 2001 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Within 1 year	¥ 7,924	¥10,505	\$ 59,578
Over 1 year	38,051	42,353	286,097
	¥45,975	¥52,858	\$345,676

6. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2002 for the purchases of significant property and equipment amounted to ¥722,230 million (\$5,430,300 thousand).

At March 31, 2002, contingent liabilities for guarantees, principally for subsidiaries, affiliates and employees, amounted to ¥14,355 million (\$107,932 thousand). At March 31, 2002, contingent liabilities for commitments such as guarantees, keep-well agreements and others, principally for subsidiaries, affiliates and employees, amounted to ¥37,077 million (\$278,774 thousand).

In addition, at March 31, 2002, the Company was liable under debt assumption agreements for the in-substance defeasance of certain bonds in the aggregate amount of ¥50,000 million (\$375,939 thousand).

7. Fair Value of Investments in Subsidiaries and Affiliates

Investments in subsidiaries and affiliates are stated at cost. Net unrealized gain or loss on investments in marketable securities of subsidiaries and affiliates at March 31, 2002 and 2001 is summarized as follows:

March 31, 2002	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Investments in subsidiaries	¥2,901	¥6,142	¥ 3,240
Investments in affiliates	¥8,411	¥6,363	¥(2,047)

March 31, 2002	Thousands of U.S. dollars		
	Investments in subsidiaries	\$21,812	\$46,180
Investments in affiliates	\$63,240	\$47,842	\$(15,390)

March 31, 2001	Millions of yen		
	Investments in affiliates	¥8,411	¥6,380

8. Amounts Per Share

Amounts per share have been computed by the same method as that described in Note 10 to the consolidated financial statements and are summarized as follows:

Year ended March 31,	Yen			U.S. dollars
	2002	2001	2000	2002
Net (loss) income	¥(19.56)	¥16.18	¥(3.18)	\$(0.147)
Diluted net income	—	16.18	—	—

March 31,	Yen			U.S. dollars
	2002	2001	2001	2002
Net assets	¥129.36	¥154.11		\$0.972

9. Subsequent Event

Refer to Note 13 to the consolidated financial statements.

Report of Certified Public Accountants

Japan Airlines Company, Ltd.

The Board of Directors
Japan Airlines Company, Ltd.

We have examined the non-consolidated balance sheets of Japan Airlines Company, Ltd. as of March 31, 2002 and 2001, and the related non-consolidated statements of operations and stockholders' equity for each of the three years in the period ended March 31, 2002, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the financial position of Japan Airlines Company, Ltd. at March 31, 2002 and 2001, and the results of its operations for each of the three years in the period ended March 31, 2002 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the non-consolidated financial statements, Japan Airlines Company, Ltd. has adopted new accounting standards for financial instruments, pension and severance costs and the translation of foreign currency accounts effective the year ended March 31, 2001 in the preparation of its non-consolidated financial statements.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.



June 27, 2002

See Note 1 to the financial statements which explains the basis of preparation of the financial statements of Japan Airlines Company, Ltd. under Japanese accounting principles and practices.